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# RENT CONTROL FOR BUSINESS ACCOMMODATIONS

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## HEARINGS

BEFORE THE

## COMMITTEE ON BANKING AND CURRENCY
## UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

## S. 2176

A BILL TO AMEND THE EMERGENCY PRICE CONTROL ACT OF 1942, AS AMENDED, WITH RESPECT TO THE CONTROL OF RENTS FOR BUSINESS ACCOMMODATIONS

NOVEMBER 30, DECEMBER 1, AND 4, 1944

Printed for the use of the Committee on Banking and Currency

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# RENT CONTROL FOR BUSINESS ACCOMMODATIONS

**THURSDAY, NOVEMBER 30, 1944**

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
*Washington, D. C.*

The committee met at 10:30 a. m., pursuant to call, in room 301 Senate Office Building, Senator Robert F. Wagner, chairman, presiding:

Present: Senators Wagner (chairman), Maloney, Maybank, Taft, Butler, Capper, Buck, and Hawkes.

The CHAIRMAN. The committee will come to order. We are considering S. 2176, to amend the Emergency Price Control Act of 1942, as amended, with respect to the control of rents for business accommodations.

(The bill under consideration, S. 2176, is as follows:)

[S. 2176, 78th Cong., 2d sess.]

A BILL To amend the Emergency Price Control Act of 1942, as amended, with respect to the control of rents for business accommodations

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That sections 2, 4, 202, and 205 of the Emergency Price Control Act of 1942, as amended, are amended by adding "or business accommodations" after the term "defense-area housing accommodations" wherever that term appears in those sections.

SEC. 2. (a) Section 302 (e) of the Emergency Price Control Act of 1942, as amended, is amended to read as follows:

"(e) The term 'defense-area housing accommodations or business accommodations' means housing accommodations or business accommodations within any defense-rental area."

(b) Section 302 (g) of the Emergency Price Control Act of 1942, as amended, is amended to read as follows:

"(g) The term 'rent' means the consideration demanded or received in connection with the use or occupancy or the transfer of a lease of any housing accommodations or business accommodations."

(c) Section 302 of the Emergency Price Control Act of 1942, as amended, is amended by adding the following new subsection:

"(1) the term 'business accommodations' means any building, structure, or part thereof, or land appurtenant thereto, or any other real or personal property rented or offered for rent for business purposes, together with all privileges, services, furnishings, furniture, and facilities connected with the use or occupancy of such property."

The CHAIRMAN. We have a rather large calendar here, but will do the best we can with it. I do not want to limit any witness, but hope the witnesses will limit themselves a little bit.

Commissioner Platzker?

Mr. PLATZKER. Yes, Mr. Chairman.

The CHAIRMAN. Come around and take a seat by the committee reporter, please.

Mr. PLATZKER. Thank you, Mr. Chairman.

The CHAIRMAN. Commissioner, what is your title?

Mr. PLATZKER. Mr. Chairman, I am assistant commissioner, Department of Housing and Buildings of the City of New York, and chairman of the Mayor's Committee on Rents.

The CHAIRMAN. You represent the mayor in this hearing, do you?

Mr. PLATZKER. I do.

The CHAIRMAN. Will you just take a seat and proceed in your own way?

## STATEMENT OF JOSEPH PLATZKER, ASSISTANT COMMISSIONER, DEPARTMENT OF HOUSING AND BUILDINGS OF THE CITY OF NEW YORK, AND CHAIRMAN OF THE MAYOR'S COMMITTEE ON RENTS

Mr. PLATZKER. Mr. Chairman and members of the committee, on behalf of Mayor F. H. LaGuardia, I appear in support of Senate bill S. 2176 which would amend the Emergency Price Control Act of 1942 by adding the control of rents of business and commercial space.

Numerous manufacturing, wholesale, and retail trades in New York City have been hard hit by rent gouging. A partial list follows:

1. Manufacturers of women's and men's clothes.
2. Manufacturers of infants and children's wear.
3. Manufacturers of undergarments.
4. Manufacturers of ladies' hats.
5. Manufacturers of shoes.
6. Manufacturers of raincoats.
7. Manufacturers of knitwear.
8. Manufacturers of uniforms.
9. Manufacturers of furs.
10. Manufacturers of belts.
11. Manufacturers of aprons.
12. Manufacturers of buttons and buckles.
13. Manufacturers of plastic products.
14. Manufacturers of drug products.
15. Manufacturers of cosmetics.
16. Manufacturers of leather goods.
17. Manufacturers of school bags and utility bags.
18. Manufacturers of lamps and shades.
19. Manufacturers of furniture.
20. Manufacturers of metal products.
21. Manufacturers of mechanical appliances.
22. Manufacturers of strainers.
23. Manufacturers of insulated wire.
24. Manufacturers of toys and novelties.
25. Manufacturers of paper boxes.
26. Manufacturers of braces.
27. Manufacturers of optical goods.
28. Manufacturers of window displays.
29. Manufacturers of X-ray apparatus and supplies.
30. Manufacturers of costume jewelry.
31. Manufacturers of diamond tools for industrial purposes.
32. Manufacturers of beauty shop sundries.
33. Manufacturers of woven labels and tickets.
34. Manufacturers of jewelry.
35. Manufacturers of dress ornaments.
36. Wholesale woolens.
37. Converters of cotton and rayon fabrics.
38. Wholesale trimmings.
39. Jobbers of paper goods.
40. Stitchers, pleaters, and embroiderers.
41. Cabinetmakers and alteration contractors.
42. Plumbing and maintenance supplies.
43. Floor covering and tile contractors.
44. Jobbers of leather goods.
45. Photoengravers.
46. Printers and publishers.
47. Commercial photography.
48. Fur dyers and blenders.
49. Artificial flowers and novelties.
50. Trucking.
51. Retail druggists.
52. Retail grocers.

The CHAIRMAN. Mr. Platzker, would you rather complete your statement before any questions by members of the committee are propounded to you?

Mr. PLATZKER. Whatever you say.

The CHAIRMAN. What would you prefer?



Mr. PLATZKER. I would prefer to go on with my statement, but will be very glad to accommodate myself to the wishes of the members of the committee.

The CHAIRMAN. All right. You may proceed.

Mr. PLATZKER. Unless these and other trades and businesses are given protection, rising costs are bound to follow after the end of January 1945—when the new leases become effective.

The earliest possible approval of Senate bill S. 2176 and a roll-back of business and commercial rents to the level of January 1, 1944, is, in my opinion, a vital necessity if we are to effectively control inflation. The Rent Division of the O. P. A. is capable of taking on this additional responsibility.

Most business firms in New York City, particularly those occupying loft space, have nowhere to move if they should attempt to defy the rent-gougers and insist upon a fair means of negotiating lease renewals. Vacant space in loft, factory, and storage buildings have never been so scarce in the history of this metropolis. Of its approximately 500,000,000 square feet of loft, factory, and storage space, for instance, the vacant areas even 6 months ago represented less than half of 1 percent.

I should like to emphasize that small business occupies almost 75 percent of the loft, factory, and storage space in New York City. However, only a small percentage of the small business firms own the premises they occupy; most of them rent the required space by the year.

Many loft areas in New York City are 100 percent rented and frankly we are confronted with a greater demand for loft, factory, and storage space than is available.

The tremendous absorption of commercial space during 1943 has given a tremendous impetus to speculative buying and selling of these buildings—at a rate that has not been equaled since 1929. It is widely predicted that the turn-over in these properties during 1944 may exceed the turn-over during booming 1929. But the assessed valuation of commercial properties have been reduced since 1929 anywhere from 20 percent to more than 50 percent. Mortgages on many of these buildings have been substantially reduced since 1929. The basic tax rate for real estate for the fiscal year beginning July 1, 1944, is 2.74, or the lowest basic tax rate since 1937.

Yet we are face to face with skyrocketing rentals. Unless they are checked by Federal rent control, we are bound to witness overmortgaging due to overappraisals. Many applications are already on file with insurance companies and savings banks for increased mortgages, but action on most of them is being delayed pending the outcome of this proposed legislation. We are definitely threatened with a repetition of a foreclosure era, within a few years, similar to the one that followed after 1929. A vast number of bankruptcies of small business firms may also follow as soon as they find themselves unable to meet an overhead that is far above normal.

The seriousness of rent-gouging of business and commercial tenants in New York City was clearly evidenced in the testimony already given by tenants and trade associations at four previous public hearings before governmental bodies this year. This is the fifth public hearing this year. Briefly, the four previous public hearings were as follows:

1. In February, before the New York State Legislature, Albany, N. Y.

2. In July, before the United States Senate Small Business Committee, Washington, D. C.

3. In September, before the City Council of New York.

4. In October, before the New York State legislative committee on commercial rents, held in the Bar Association Building, New York City.

The testimony given by businessmen at the October public hearing of the New York State legislative committee on commercial rents was startling and sensational. In my opinion, it warranted a recommendation to Governor Dewey for a special session of the New York State Legislature either before or immediately after the November election. It showed very clearly the urgent necessity of business and commercial rent control in the New York City defense area, as defined by the O. P. A.

On September 16, 1944, Mayor LaGuardia appealed to Governor Dewey to call a special session of the State legislature to deal with this rent-gouging problem and attached to that appeal my report which cited 250 examples of rental demands for 1945.

I am leaving a copy of that statement for the committee.

(The statement is as follows:)

SMALL BUSINESS IN NEW YORK CITY NEEDS STATE AID QUICKLY TO STOP RENT GOUGING

For a full year we have made a constructive effort to mediate for the small businessmen of New York City lease renewals involving excessive rental demands and long terms. At first, we found many owners willing to accept our good offices, and settlements resulted. But as time went on we found our task increasingly difficult. We were frequently reminded that we had no power to enforce our recommendations.

Rent gouging is now reaching serious proportions and New York City is definitely in danger of losing some of its very desirable manufacturers. They told us so in personal visits to our office and in writing. Two hundred and fifty examples of rental demands for 1945 are shown in the attached list. Even trade associations in this city, representing numerous manufacturing industries, have already voiced their strong protests against the skyrocketing rentals and are strongly urging immediate measures for rent control or compulsory arbitration. They have repeatedly said that thousands of small businessmen are seriously concerned about the leases they are now being compelled to sign and which will become effective on February 1, 1945. In my opinion, many leases are actually being signed under duress because for the first time in New York City's history businessmen find no place available if they should choose to move. Loft and factory vacancies in New York City are conservatively estimated at less than one-tenth of 1 percent.

In many of the large cities of the Nation, we are advised, the majority of manufacturers own their own lofts or factory buildings. But in New York City at least 75 percent of the manufacturers do not own their own lofts or factory buildings; they rent such space by the year. The reason for New York City's situation being so different is because this city is the Nation's greatest center for small business enterprise. And these businessmen, in this emergency, should be given the help they need against rent gouging.

The garment center, where we find the greatest concentration of manufacturing space—22,804,035 square feet in 170 large loft buildings—has been fully occupied for more than a year and there are no vacancies immediately in sight. As a result, we now find some owners commencing wholesale eviction of manufacturers and others demanding 5-year leases. In one large building an agent has been demanding large bonuses in return for permitting manufacturers to remain in his premises for another year. They have made angry protests against this vicious practice.

In other loft areas an attempt is being made not only to increase rentals to a very high figure but also to compel manufacturers to sign escalator clauses in their new leases which obligates them to pay pro rata the increased cost of operating expenses over which they have no control.



Although many of the 1944 commercial rentals are much higher than the 1943 rentals, I wonder whether owners who filed applications for reduction of their 1944–45 assessed valuations in March gave the tax department of the city of New York their 1944 rentals.

As an example of the extensive increase in the rentals of commercial tenants for 1944 over 1943, the following analysis of 636 cases on file with the mayor's loft rental mediation board is offered:

| Percent of rent increase during 1944: | *Number of firms* | |
|---|---|---|
| 0 | 1 | |
| 1 to 10 | 13 | |
| 11 to 15 | 23 | |
| 16 to 20 | 56 | |
| 21 to 25 | 64 | |
| 26 to 30 | 49 | |
| | | 206 |
| 31 to 35 | 81 | |
| 36 to 40 | 54 | |
| 41 to 45 | 39 | |
| 46 to 50 | 69 | |
| | | 243 |
| 51 to 55 | 27 | |
| 56 to 60 | 33 | |
| 61 to 65 | 22 | |
| 66 to 70 | 30 | |
| 71 to 75 | 13 | |
| | | 125 |
| 76 to 80 | 16 | |
| 81 to 85 | 9 | |
| 86 to 90 | 13 | |
| 91 to 99 | 5 | |
| | | 43 |
| 100 | | 8 |
| Over 100 | | 11 |
| Total | | 636 |

The tremendous absorption of commercial space has given a great impetus to speculative buying and selling of commercial buildings at a rate that has not been equaled since 1929. During the past year the liquidation of commercial properties by institutions and estates at low prices and easy terms has also stimulated this activity and encouraged demands for high rentals. Thus the speculator works for a quick turn-over and quick profits. Although assessed valuations are lower by 50 percent or more in many instances since 1928 and mortgages have been drastically reduced, yet many leases are being submitted to tenants for higher rentals then were paid for such space during the boom days of 1928.

To permit an uncontrolled price increase for rented commercial space would tend naturally to make an uncontrolled price increase for such properties with resulting ills such as—

1. Over-mortgaging due to over-appraisals.

2. Repetition of foreclosures after this period, similar to the one that followed after 1929.

3. Vast number of bankruptcies of small business firms due to inability to meet overhead that is far above normal.

4. Would compel a rise in the price structure which would definitely be inflationary.

Therefore, respectfully recommend the immediate need of State aid in the form of compulsory arbitration or commercial rent control.

JOSEPH PLATZKER,
*Chairman, Mayor's Committee on Rents.*

SEPTEMBER 16, 1944.

| Address | Firm | 1944 rental | 1945 proposed | Assessed valuations | |
|---|---|---|---|---|---|
| | | | | 1944–45 | 1928 |
| 1. 409 Lafayette St | Keppler Bros., manufacturing janitors' supplies. | $4,000 | $10,000 | $875,000 | $142,000 |
| 2. 109 West 38th St | Brentwood Co., manufacturing of dresses. | 2,700 | 5,500 | 235,000 | 425,000 |
| 3. 256 West 38th St | Continental Hand Drawn Works | 3,300 | 7,500 | 440,000 | 860,000 |
| 4. 231–235 East 42d St | Granick Furniture Co | 2,600 | 6,500 | 285,000 | 345,000 |
| 5. 31 East 27th St | Chas. I. Goodman, bearings | 900 | 3,000 | 125,000 | 225,000 |
| 6. 37 West 47th St | Fray-Taar, manufacturing jewelers. | 900 | 1,800 | 600,000 | 900,000 |
| 7. 202 Greene St | Brussell Sewing Machine Co., Inc. | 4,500 | 9,000 | 33,000 | 74,000 |
| 8. 16 West 32d St | Heimer Bros., manufacturing handbags. | 3,300 | 7,200 | 260,000 | 520,000 |
| 9. 625 West 55th St | Rosenberg Bros., manufacturing plastic products. | 4,600 | 10,500 | 335,000 | 410,000 |
| 10. 15 Desbrosses St | Cap, Screw & Nut Co. of America | 3,300 | 8,000 | 370,000 | 425,000 |
| 11. 598 Broadway | Girly-Form Dresses | 2,000 | 4,000 | 135,000 | 275,000 |
| 12. 21 East 17th St | Pioneer Rubber Co., engraving | 720 | 1,500 | 21,000 | 52,000 |
| 13. 133 Wooster St | American Play Suit Co | 1,500 | 3,250 | 17,000 | 39,000 |
| 14. 55 West 42d St | Bryant Typing Co | 960 | 2,200 | 3,800,000 | 6,000,000 |
| 15. 36 West 47th St | Loue Steinberg, diamonds | 1,200 | 2,400 | 700,000 | 1,075,000 |
| 16. 39 West 37th St | Novelty Veiling Co., manufacturing. | 2,650 | 5,000 | 455,000 | 825,000 |
| 17. 49 West 38th St | Modern-Miltex Corporation, manufacturing veilings. | 2,750 | 5,500 | 375,000 | 670,000 |
| 18. 32 West Houston St | P. S. Koch, sheet metal | 266 | 600 | 13,000 | 15,000 |
| 19. 268 4th Ave | The Haas Co., glassware for hotels | 1,100 | 3,500 | 410,000 | 810,000 |
| 20. 184 5th Ave | Mintz & Arick, manufacturing men's clothes. | 1,200 | 2,700 | 140,000 | 210,000 |
| 21. 184 5th Ave | H. Rosenblatt, manufacturing men's clothes. | 1,200 | 2,700 | [2] 140,000 | 210,000 |
| 22. 85 Bleecker St | Columbia Sportwear Co | 1,080 | 2,172 | 52,000 | 108,000 |
| 23. 91 Bleecker St | Danilow Baking Corporation | 9,000 | 18,000 | 30,000 | 60,000 |
| 24. 412 6th Ave | E. B. Michelman, manufacturing of albums. | 1,680 | 3,600 | 82,000 | 100,000 |
| 25. 263 West 38th St | Swinger Bros. & Willner, manufacturing coats and suits. | 3,400 | 7,500 | 705,000 | 1,250,000 |
| 26. 256 West 38th St | Style Metal Specialties, manufacturing of giftware. | 3,000 | 7,500 | 440,000 | 860,000 |
| 27. 690 Broadway | Central Belting Co | 900 | 2,400 | 37,000 | 100,000 |
| 28. 31–33 East 27th St | Pincus P. Rabinowitz, elastic fabrics. | 600 | 1,500 | 125,000 | 225,000 |
| 29. 17–19 Union Sq | Du Bois & Son, uniform manufacturers. | 9,000 | 19,200 | 325,000 | 570,000 |
| 30. 208 East 27th St | Standard Service Press | 600 | 1,800 | 83,000 | 140,000 |
| 31. 256 West 38th St | Allied Accessories Co., shoulder pads. | 3,600 | 7,500 | 440,000 | 860,000 |
| 32. 256 West 38th St | Reinad Novelty Co., costume jewelry. | 3,300 | 7,500 | 440,000 | 860,000 |
| 33. 413 Broadway | Joseph Meyer Co., manufacturing stationers. | 3,000 | 6,000 | 65,000 | 130,000 |
| 34. 413 Broadway | E. E. Knee Pants Co | 780 | 2,400 | 65,000 | 130,000 |
| 35. 413 Broadway | Garton Fabrics | 780 | 2,000 | 65,000 | 130,000 |
| 36. 413 Broadway | Service Belt Co | 780 | 2,000 | 65,000 | 130,000 |
| 37. 413 Broadway | Littorio Bedspread Co., manufacturings. | 960 | 3,000 | 65,000 | 130,000 |
| 38. 429 Broome St | Triex Tool Co., precision tools | 600 | 1,200 | 26,000 | 55,000 |
| 39. 446 West 54th St | T. W. Smith Co | 1,500 | 3,600 | 14,000 | 18,000 |
| 40. 627 Smith St., Brooklyn. | S. Alexander & Co., storage warehouse. | 3,600 | 11,000 | 65,000 | 95,000 |
| 41. 565 Broadway | Mayfair Housewear Manufacturing Co. | 1,440 | 3,800 | 105,000 | 250,000 |
| 42. 57 Hope St., Brooklyn. | Lusam Parlor Frame Co | 1,800 | 3,900 | 165,000 | 205,000 |
| 43. 1610 St. Marks Ave., Brooklyn. | Century Knitting Mills, manufacturing knitted novelties. | 1,380 | 3,000 | 21,500 | 35,000 |
| 44. 1383 Myrtle Ave., Brooklyn. | Myrtle Cloak Co | 1,800 | 3,600 | 50,000 | 98,000 |
| 45. 1383 Myrtle Ave., Brooklyn. | La Paix Dress Co | 1,800 | 3,600 | 50,000 | 98,000 |
| 46. 1383 Myrtle Ave., Brooklyn. | Arlington Knitting Mills | 1,800 | 3,600 | 50,000 | 98,000 |
| 47. 1027 Metropolitan Ave., Brooklyn. | Bright Light Reflector | 11,850 | 25,000 | 109,000 | 130,000 |
| 48. 1039 Metropolitan Ave., Brooklyn. | do | 4,250 | 10,200 | 30,000 | 50,000 |
| 49. 2887 Atlantic Ave., Brooklyn. | Effo Manufacturing Co., manufacturing children's underwear. | 2,160 | 4,550 | 165,000 | [1] 200,000 |
| 50. 62 Schenectady Ave., Brooklyn. | Norma Footwear Co., manufacturing shoes. | 2,820 | 5,700 | 150,000 | 280,000 |
| 51. 24–26 Waverly Pl | M. Jacobson Co., wholesale aluminumware. | 4,800 | 7,000 | 185,000 | 265,000 |

See footnotes at end of table.



| Address | Firm | 1944 rental | 1945 proposed | Assessed valuations | |
|---|---|---|---|---|---|
| | | | | 1944–45 | 1928 |
| 52. 24–26 Waverly Pl | Ludwig Scherk, Inc | $2,800 | $3,600 | $185,000 | $265,000 |
| 53. 101 West 37th St | Public Dress Co., manufacturing dresses. | 3,624 | 4,474 | 1,390,000 | 2,300,000 |
| 54. 101 West 37th St | Maebelle Novelty Co., manufacturing sportwear. | 2,262 | 3,312 | 1,390,000 | 2,300,000 |
| 55. 101 West 37th St | Dandeline Dress Co | 1,900 | 2,500 | 1,390,000 | 2,300,000 |
| 56. 101 West 37th St | Goldberg & Van Praag, blouse manufacturing. | 2,224 | 2,874 | 1,390,000 | 2,300,000 |
| 57. 101 West 37th St | Harry Comlett | 1,500 | 1,975 | 1,390,000 | 2,300,000 |
| 58. 101 West 37th St | Rosenblatt & Campione, Ace dance modes. | 2,650 | 3,375 | 1,390,000 | 2,300,000 |
| 59. 101 West 37th St | Sol Goldstein Dress Co | 2,074 | 2,574 | 1,390,000 | 2,300,000 |
| 60. 145 6th Ave | The Darcoid Co., manufacturing mechanical. | 3,600 | [3] 6,225 | 195,000 | [3] 220,000 |
| 61. 37 West 26th St | Sainberg & Co., desk accessories | 6,250 | 9,000 | 330,000 | 625,000 |
| 62. 707 Broadway | Gay Childrens Frocks | 4,000 | 7,000 | 260,000 | 530,000 |
| 63. 260 West St | Affiliated Machine & Tool Co | 2,200 | 4,200 | 150,000 | 260,000 |
| 64. 215 West 40th St | Reliable Container Co | 4,500 | 7,500 | 330,000 | 590,000 |
| 65. 18 East 18th St | Mesco Manufacturing & Sales Co | 1,800 | 3,000 | 75,000 | 200,000 |
| 66. 22 West 21st St | Dora May Co., Inc | 7,250 | 12,000 | 270,000 | 510,000 |
| 67. 153 Green St., Brooklyn. | Greenpoint Metal Covered Door Co. | 1,200 | 1,800 | 11,000 | 17,000 |
| 68. 50 West 17th St | Tupper Shoes, Inc | 3,000 | 5,000 | 190,000 | 330,000 |
| 69. 327–329 East 29th St. | E. Regensburg & Sons, manufacturing cigars. | 5,000 | 7,500 | 240,000 | 400,000 |
| 70. 66 West Broadway | Assoc. Bakers Products | 1,440 | 2,504 | 100,000 | 165,000 |
| 71. 230 West 30th St | Dorfman & Stern, dress manufacturing. | 3,750 | [4] 6,500 | 745,000 | 1,115,000 |
| 72. 36 West 32d St | S. Barotz & Co., importers | 2,600 | 4,000 | 180,000 | 412,000 |
| 73. 594 Broadway | Attias Bros., manufacturing infants' wear. | 2,600 | 3,900 | 375,000 | 950,000 |
| 74. 30–34 West 34th St | Helfrich Laboratories, manufacturing label cosmetics. | 5,400 | 10,000 | 585,000 | 675,000 |
| 75. 256 West 38th St | Lou Sussman & Co., manufacturing ladies' coats. | 4,900 | 9,000 | 440,000 | 860,000 |
| 76. 512 Broadway | O. K. Uniform Co., manufacturers | 2,500 | 4,500 | 110,000 | 200,000 |
| 77. 50 West 46th St | Irma Reynolds, headwear manufacturers. | 840 | 1,300 | 58,000 | 110,000 |
| 78. 11 East 22d St | Irving Leopol, art needlework | 1,300 | 2,100 | 41,000 | 100,000 |
| 79. 11 East 22d St | Expert Textile Refolding Co | 1,000 | 1,800 | 41,000 | 100,000 |
| 80. 229 West 36th St | Ritemore, Inc., manufacturers | 3,500 | 4,600 | 645,000 | 1,050,000 |
| 81. 11 West 32d St | Phoenix Leather Goods Co | 2,400 | 3,500 | 175,000 | 410,000 |
| 82. 64 West 36th St | Federal Hat Block Corporation | 2,130 | 2,730 | 780,000 | 1,300,000 |
| 83. 11 West 32d St | Eastern Art Studio, manufacturing lamps. | 2,400 | 3,500 | 175,000 | 410,000 |
| 84. 250 West 39th St | Arthur Doctor & Co., manufacing coats. | 6,500 | 8,000 | 910,000 | 1,500,000 |
| 85. 463 7th Ave | Dormoe Dresses, Inc., manufacturings. | 7,289 | [5] 9,200 | 2,750,000 | 3,550,000 |
| 86. 208 West 30th St | Fischler & Greenberg, fur manufacturings. | 3,000 | 4,000 | 385,000 | 565,000 |
| 87. 8 West 30th St | Bali Brassiere Co | 17,250 | 24,000 | 450,000 | 715,000 |
| 88. 119 West 25th St | Larry Lasker Co., gloves | 4,500 | 7,500 | 225,000 | 500,000 |
| 89. 1370 Broadway | Albert Rosenblatt & Sons, manufacturings. | 16,250 | 25,900 | 1,900,000 | 2,670,000 |
| 90. 1370 Broadway | Jessie Underwear Co., manufacturings. | 4,300 | 7,000 | 1,900,000 | 2,670,000 |
| 91. 1370 Broadway | Rudley Sportswear Co., manufacturings. | 11,875 | 18,000 | 1,900,000 | 2,670,000 |
| 92. 263 West 38th St | Milstein & Feigelson, manufacturing coats. | 4,000 | 6,500 | 705,000 | 1,250,000 |
| 93. 64 West 36th St | Harry Garter, embroiderer | 1,750 | 2,800 | 780,000 | 1,300,000 |
| 94. 42 West 38th St | Eveready Stitching | 1,800 | 3,000 | 320,000 | 595,000 |
| 95. 575 8th Ave | Losanne Dress Manufacturing Co | 3,150 | [6] 3,900 | 1,150,000 | 2,000,000 |
| 96. 498 7th Ave | Heinsfurter-Wexler Co., manufacturings. | 8,500 | [4] 10,000 | 4,625,000 | 6,000,000 |
| 97. 622 Broadway | E. & F. Caseco, Inc., manufacturing box novelties. | 2,700 | [7] 4,000 | 100,000 | 215,000 |
| 98. 453 Broome St | Gem Electric Co. (1943 rental, $4,700). | 6,444 | 6,944 | 52,000 | 105,000 |
| 99. 11–17 East 45th St | Dirone Photos ($1,320) | 1,500 | 2,000 | 730,000 | 1,150,000 |
| 100. 16 Waverly Pl | Daniels' Artist Material ($800) | 900 | 1,200 | 29,000 | 52,000 |
| 101. 226 West 37th St | Finkelstein Bros., clothing ($2,600) | 3,600 | 5,000 | 350,000 | 700,000 |
| 102. 598 Broadway | Lacks Laboratory, drug manufacturing ($1,700). | 1,900 | 3,000 | 135,000 | 275,000 |
| 103. 598 Broadway | Super Form Brassiere ($1,600) | 2,700 | 4,000 | 135,000 | 275,000 |
| 104. 598 Broadway | Flock Embossing ($1,846) | 2,544 | 3,500 | 135,000 | 275,000 |
| 105. 850 7th Ave | M. A. Schwartz, D. D. S | 930 | 1,620 | 515,000 | 755,000 |
| 106. 251 West 39th St | Stratford Coat, Inc. (1943, $1,500) | 1,700 | 2,200 | 500,000 | 900,000 |

See footnotes at end of table.

| Address | Firm | 1944 rental | 1945 proposed | Assessed valuations | |
|---|---|---|---|---|---|
| | | | | 1944-45 | 1928 |
| 107. 36 East 31st St | David Friedman, manufacturing pajamas (1943, $3,250). | $3,750 | $4,800 | $530,000 | $745,000 |
| 108. 8 Washington Pl | Landy Bros. | 1,900 | 2,600 | 83,000 | 175,000 |
| 109. 8 Washington Pl | Oelbaum Rayon Co. | 1,900 | 2,600 | 83,000 | 175,000 |
| 110. 8 Washington Pl | Cresent Drug Label Co. | 1,900 | 2,600 | 83,000 | 175,000 |
| 111. 8 Washington Pl | Ferber & Labarbera, pants contractor. | 1,900 | 2,600 | 83,000 | 175,000 |
| 112. 247 West 35th St | Chase Sportswear Co. | 2,100 | 2,100 | 450,000 | 790,000 |
| 113. 130 West 25th St | L. J. Levy, dress manufacturing | 1,800 | 3,340 | 100,000 | 205,000 |
| 114. 108 West 39th St | Baer Bros, dress manufacturing | 4,500 | 6,000 | 660,000 | 910,000 |
| 115. 36 West 37th St | Rite Fit Hat Co. (1943, $2,800) | 3,500 | 4,200 | 215,000 | 435,000 |
| 116. 270 West 39th St | Sam Wolpert, manufacturing suits (1943, $1,500). | 1,800 | 2,700 | 680,000 | 1,100,000 |
| 117. 270 West 39th St | Park Dresses, manufacturing | 2,172 | 3,000 | 680,000 | 1,100,000 |
| 118. 270 West 39th St | Trade accessories | 2,172 | 3,000 | 680,000 | 1,100,000 |
| 119. 252 West 38th St | Linada Coat Co., manufacturing suits (1943, $2,500). | 3,500 | 5,000 | 255,000 | 560,000 |
| 120. 252 West 38th St | Lohn & Cohen, manufacturers | 3,600 | 5,000 | 255,000 | 560,000 |
| 121. 252 West 38th St | Oscar Roth, Inc. | 3,600 | 5,250 | 255,000 | 560,000 |
| 122. 152 West 25th St | Northern Thread Mills | 2,400 | 3,400 | 125,000 | 285,000 |
| 123. 550 Broadway | Acorn Mills, manufacturing children's underwear. | 1,500 | 2,100 | 47,000 | 95,000 |
| 124. 270 West 39th St | Mel Button Works, manufacturing covered buttons. | 1,086 | 2,040 | 680,000 | 1,100,000 |
| 125. 270 West 39th St | Mona Dress Co., manufacturing | 1,086 | 1,800 | 680,000 | 1,100,000 |
| 126. 270 West 39th St | Artshire Coat Co., manufacturing | 1,086 | 1,740 | 680,000 | 1,100,000 |
| 127. 270 West 39th St | Maurice Meislin, buttons and buckles. | 1,248 | 1,920 | 680,000 | 1,100,000 |
| 128. 270 West 39th St | Bialor Fabrics, Inc., silks and velvets. | 1,086 | 1,800 | 680,000 | 1,100,000 |
| 129. 256 West 38th St | Excell Novelty Co., embroidery manufacturers. | 3,600 | 7,500 | 440,000 | 860,000 |
| 130. 17-23 West 60th St | Gabriel Williams Co., manufacturing chemists. | 1,002 | 1,800 | 285,000 | 565,000 |
| 131. 712 Broadway | Wehman Bros., wholesale booksellers. | 2,900 | 3,750 | 42,000 | 115,000 |
| 132. 22-24 West 38th St | Corbett Bros. Co., manufacturing silk ribbons. | 2,300 | 4,300 | 245,000 | 485,000 |
| 133. 152 West 25th St | Banner Bros., manufacturing, leather goods (1943, $2,100). | 2,400 | 3,450 | 125,000 | 285,000 |
| 134. 560 Broadway | The Bell Cap Co. | 2,700 | 4,000 | 290,000 | 615,000 |
| 135. 596 Broadway | Harry Litky, die cutting for pocketbook trade. | 2,700 | 4,000 | 375,000 | 950,000 |
| 136. 625 Broadway | Michael Meltzer, manufacturing boys shirts. | 2,500 | 3,100 | 137,500 | 325,000 |
| 137. 491 Broadway | Monarch Insulated Wire Co. (1943, $1,260). | 1,900 | 2,600 | 115,000 | 220,000 |
| 138. 40 East 20th St | Greyhound Leather Sporting Novelty Co., Inc. | 1,000 | 1,600 | 24,000 | 85,000 |
| 139. 39/41 West 32d St | Star Foundations, Inc. | 2,600 | 4,400 | 295,000 | 515,000 |
| 140. 64 West 36th St | Margery Daw Hats, Inc. | 3,500 | 4,800 | 780,000 | 1,300,000 |
| 141. 36 West 37th St | Cook Manufacturing Corporation (rent, 1943, $2,100). | 3,400 | [5] 4,500 | 215,000 | 515,000 |
| 142. 1107 Broadway | Block House (rent, 1943, $1,550) | 1,800 | 2,100 | 2,050,000 | 3,150,000 |
| 143. 119 West 24th St | Norton Centerpieces | 4,500 | [5] 8,000 | 270,000 | 550,000 |
| 144. 25 Waverly Pl | M. Jones & Co., gummed cotton tape (1943, $1,500). | 2,100 | 2,700 | 73,000 | 145,000 |
| 145. 1359 Broadway | Society Sportswear, manufacturing. | 4,750 | 5,950 | 3,450,000 | 4,650,000 |
| 146. 1385 Broadway | Angel Dresses, manufacturing | 3,624 | [4] 4,824 | 3,500,000 | 4,450,000 |
| 147. 30 East 10th St | Spectator Bags, Inc., handbags (1943, $1,600). | 2,200 | [5] 2,800 | 115,000 | 200,000 |
| 148. 463 7th Ave | Rivoli Dress Co. (1943, $6,036) | 7,236 | [5] 9,236 | 2,750,000 | 3,550,000 |
| 149. 814 Broadway | Royal Leather Goods Co. | 1,260 | 2,100 | 32,000 | 85,000 |
| 150. 230 West 38th St | I. Grossman & Son | 8,039 | [4] 12,500 | 745,000 | 1,115,000 |
| 151. 225 West 37th St | P. Portfolio & Co. | 8,057 | [4] 13,500 | 880,000 | 1,300,000 |
| 152. 36 West 47th St | Louis Tamis & Son, goldsmiths | 3,600 | 6,000 | 700,000 | 1,075,000 |
| 153. 421 7th Ave | Mae Morris, merchandise broker | 600 | 900 | 970,000 | 1,180,000 |
| 154. 111 West 29th St | M. Greenman & Son, fur matching house. | 1,740 | [7] 2,000 | 29,000 | 46,000 |
| 155. 1385 Broadway | H. & M. Schainman, sportswear manufacturing. | 5,830 | [4] 8,250 | 3,500,000 | 4,450,000 |
| 156. 113 West 29th St | I. Grubman & Son, furs and skins. | 1,600 | 2,500 | 19,000 | 30,000 |
| 157. 520 8th Ave | Sporting Footwear Manufacturing Corporation. | 6,559 | 8,000 | 3,550,000 | 4,700,000 |
| 158. 2 West 37th St | Manfield Handkerchief Co. | 3,500 | 4,500 | 1,630,000 | 2,650,000 |
| 159. 205 West 39th St | A. Berzin Co., manufacturing coats. | 6,000 | 7,000 | 1,460,000 | 2,080,000 |
| 160. 500 7th Ave | Metzger & Cohen, manufacturing coats. | 24,000 | [4] 28,500 | 3,680,000 | 4,800,000 |
| 161. 330 West 38th St | Perwin Dress Co. | 2,100 | 3,000 | 765,000 | [8] 1,000,000 |

See footnotes at end of table.



| Address | Firm | 1944 rental | 1945 proposed | Assessed valuations | |
|---|---|---|---|---|---|
| | | | | 1944-45 | 1928 |
| 162. 520 8th Ave | Waldman Co., manufacturing | $4,600 | $5,500 | $3,550,000 | $4,700,000 |
| 163. 263 West 38th St | Sidney Bitterman, manufacturing coats (1943, $2,800). | 4,000 | 6,500 | 705,000 | 1,250,000 |
| 164. 204 East 27th St | Straube's Woodworking Shop (1943, $1,200). | 1,800 | 2,400 | 83,000 | 140,000 |
| 165. 222 West 37th St | H. Margolin, manufacturing | 1,000 | 1,500 | 170,000 | 425,000 |
| 166. 64 West 36th St | Walter Magnus, veilings (1943, $1,320). | 1,440 | 2,100 | 780,000 | 1,300,000 |
| 167. 11 West 32d St | Albert Borgzinner Co., jewelry cases. | 2,600 | [7] 4,100 | 175,000 | 410,000 |
| 168. 27-33 West 20th St | Arrow Supply & Tool Co. | 4,000 | 6,200 | 270,000 | 530,000 |
| 169. 27-33 West 20th St | Arrow Supply & Tool Co. (1943, $3,200). | 4,000 | 6,200 | 270,000 | 530,000 |
| 170. 26-32 West 17th St | Apex Belt Co., Inc., manufacturing ladies' belts (1943, $3,600). | 6,000 | 6,500 | 270,000 | 430,000 |
| 171. 3 West 29th St | Birds Eye Novelty Co., manufacturing shoulder pads. | 480 | 660 | 225,000 | 500,000 |
| 172. 333 West 39th St | Danse-More Frocks, manufacturing dresses (1943, $1,629). | 2,100 | 2,800 | 340,000 | [9] 580,000 |
| 173. 45 West 18th St | Supreme Fashion Clothes for Men, manufacturing. | 15,000 | 27,500 | 1,495,000 | 3,660,000 |
| 174. 270 West 39th St | Normandie Stitching Co. (1943, $1,200). | 1,559 | 2,280 | 680,000 | 1,100,000 |
| 175. 313 West 35th St | Art Trimmings, Inc. (1943, $1,584) | 1,920 | 2,500 | 235,000 | 400,000 |
| 176. 152 West 25th St | Jefferson Dress Co. | 1,440 | 1,900 | 125,000 | 285,000 |
| 177. 12 East 22d St | Art Button Novelty Manufacturing Co. (1943, $5,100). | 5,400 | 6,700 | 225,000 | 450,000 |
| 178. 111 West 27th St | Howard Cloak Co., manufacturing dresses. | 2,200 | 3,900 | 90,000 | 215,000 |
| 179. 722 Broadway | Standard Hat Leather Co., manufacturing cap leather (1943, $982). | 1,600 | 1,800 | 50,000 | 115,000 |
| 180. 15 West 37th St | Julian S. Cohn, handkerchiefs | 8,400 | 11,500 | 660,000 | 1,250,000 |
| 181. 230 West 38th St | Dornfest & Rubel, manufacturing coats. | 6,307 | [4] 9,000 | 745,000 | 1,115,000 |
| 182. 230 West 38th St | Etkin-Banner Co., Inc., manufacturing suits. | 9,057 | [4] 12,500 | 745,000 | 1,115,000 |
| 183. 230 West 38th St | H. Endelman Co., manufacturing suits. | 4,000 | [4] 8,000 | 745,000 | 1,115,000 |
| 184. 230 West 38th St | Bloom, Klinger & Weberg, manufacturing suits. | 9,040 | [4] 14,000 | 745,000 | 1,115,000 |
| 185. 2414 Atlantic Ave., Brooklyn. | Mendel Knitwear Co. | 1,440 | 2,400 | 140,000 | 240,000 |
| 186. 225 West 37th St | Louis Heller, manufacturing suits | 8,057 | [4] 13,500 | 880,000 | 1,300,000 |
| 187. 330 West 38th St | Sherman Dress Co., dress manufacturing (1943, $2,068). | 2,418 | 3,300 | 765,000 | [10] 1,225,000 |
| 188. 330 West 38th St | A. & B. Novelty Co., manufacturing embroideries. | 3,375 | 4,300 | 765,000 | [10] 1,225,000 |
| 189. 330 West 39th St | A. Kalinkor, children's dress contractor. | 2,115 | 2,900 | 120,000 | 230,000 |
| 190. 469 Broome St | Thos. J. Brecht, sample cards | 960 | 1,800 | 18,500 | 40,000 |
| 191. 208 East 27th St | Plastic Parts Manufacturing (1943, $480). | 960 | 1,680 | 83,000 | 140,000 |
| 192. 318 West 48th St | West Pacific Chemial Laboratory | 1,320 | 2,100 | 170,000 | 215,000 |
| 193. 327-329 East 29th St | Blumstein & Co., manufacturing army raincoats. | 5,378 | 7,500 | 240,000 | 400,000 |
| 194. 315 7th Ave | Stanley Fur Co., manufacturing coats. | 3,500 | [11] 4,000 | 570,000 | 860,000 |
| 195. 62 West 47th St | Colonial Optical Co., distributor Bausch & Lomb products. | 960 | 1,440 | 1,000,000 | 1,575,000 |
| 196. 36 West 47th St | Bernard Jewelry Co., manufacturing jewelry (1943, $1,200). | 1,320 | 2,400 | 700,000 | 1,075,000 |
| 197. 258 Navy St., Brooklyn. | Interstate Baler & Equipment Co. | 1,800 | 3,000 | 16,500 | 28,000 |
| 198. 225-227 East 24th St | Wood Displays Manufacturing Co., greeting card fixtures. | 1,320 | 2,200 | 53,000 | 77,500 |
| 199. 33 East 20th St | O'Brien Varnish Co. | 1,200 | 1,800 | 20,000 | 44,000 |
| 200. 104 5th Ave | Marks Rosenberg & Bros., overcoat manufacturing (1943, $6,000). | 6,900 | 11,000 | 435,000 | 640,000 |
| 201. 104 East 25th St | Frederick Blank & Co., floor covering (1943, $3,500). | 6,000 | 6,600 | 330,000 | 585,000 |
| 202. 265 West 37th St | Rothstein & Levy, manufacturing suits. | 8,500 | [4] 12,500 | 1,250,000 | 2,080,000 |
| 203. 265 West 37th St | Samuel Babus & Co., manufacturing suits. | 8,000 | [4] 12,500 | 1,250,000 | 2,080,000 |
| 204. 265 West 37th St | Overland Garment Co., manufacturing suits. | 9,060 | [4] 12,500 | 1,250,000 | 2,080,000 |
| 205. 265 West 37th St | Regal Garment Corporation, manufacturing coats. | 9,060 | [4] 12,500 | 1,250,000 | 2,080,000 |
| 206. 265 West 37th St | Olive Coat Co., manufacturing coats. | 16,500 | [4] 25,000 | 1,250,000 | 2,080,000 |
| 207. 265 West 37th St | Weinstein Bros. Coat Co., manufacturing coats. | 7,850 | [4] 12,500 | 1,250,000 | 2,080,000 |

See footnotes at end of table.

| Address | Firm | 1944 rental | 1945 proposed | Assessed valuations | |
|---|---|---|---|---|---|
| | | | | 1944-45 | 1928 |
| 208. 265 West 37th St | English Maid Coats, manufacturing coats (1943, $4,530). | $5,280 | [4] $7,500 | $1,250,000 | $2,080,000 |
| 209. 265 West 37th St | Arlene Coats, manufacturing coats (1943, $4,030). | 4,750 | [4] 7,000 | 1,250,000 | 2,080,000 |
| 210. 265 West 37th St | Nat J. Dumbrow Co., manufacturing coats (1943, $3,000). | 3,500 | [4] 4,500 | 1,250,000 | 2,080,000 |
| 211. 265 West 37th St | Form Maid Coat Co., manufacturing coats (1943, $4,030). | 4,780 | 6,200 | 1,250,000 | 2,080,000 |
| 212. 265 West 37th St | Lincoln & Bell, manufacturing coats (1943, $3,000). | 3,650 | [4] 5,000 | 1,250,000 | 2,080,000 |
| 213. 265 West 37th St | Philip Katz & Troffkin, manufacturing coats (1943, $5,780). | 6,530 | [4] 9,530 | 1,250,000 | 2,080,000 |
| 214. 265 West 37th St | Lyonelle Modes, manufacturing coats (1943, $3,000). | 3,600 | 4,324 | 1,250,000 | 2,080,000 |
| 215. 265 West 37th St | Vanity Coats, Inc., manufacturing coats (1943, $3,030). | 4,030 | [4] 5,500 | 1,250,000 | 2,080,000 |
| 216. 265 West 37th St | Lefton & Lowenthal, manufacturing coats (1943, $3,280). | 3,780 | 4,800 | 1,250,000 | 2,080,000 |
| 217. 121-123 East 24th St | Union Library Association, mail-order books. | 2,100 | 3,250 | 135,000 | 200,000 |
| 218. 25 Waverly Pl | Gramercy Uniform Corporation, manufacturing military caps (1943, $1,700). | 2,100 | 2,750 | 73,000 | 145,000 |
| 219. 25 Waverly Pl | Tubell & Co., manufacturing of felt novelties (1943, $1,200). | 1,800 | 2,400 | 73,000 | 145,000 |
| 220. 226 West 37th St | Saul Unger & Rabinow, manufacturing coats (1943, $1,350). | 1,700 | 2,200 | 350,000 | 700,000 |
| 221. 265 West 37th St | Goldklang Coat Co., manufacturing coats (1943, $3,630). | 4,530 | [4] 6,500 | 1,250,000 | 2,080,000 |
| 222. 313 West 37th St | Publishers Plate & Matrix Co., manufacturing stereotypers (1943, $2,100). | 2,300 | 3,000 | 290,000 | 550,000 |
| 223. 361-363 Broadway | Nehemiah Gitelson, contractor, cotton goods. | 3,400 | 4,500 | 260,000 | 445,000 |
| 224. 313 West 37th St | H. & H. Co. Bookbinding | 3,414 | 4,200 | 290,000 | 550,000 |
| 225. 64 Lispenard St | Hayes Duster & Brush Co | 2,100 | 4,000 | 27,000 | 45,000 |
| 226. 411 Broadway | C. V. Restaurant | 2,700 | 3,600 | 40,000 | 77,000 |
| 227. 240 West 37th St | Yellin Bros., manufacturing cloaks. | 5,250 | 7,500 | 800,000 | [4] 1,250,000 |
| 228. 512 7th Ave | Jonas Coat Co., manufacturing (1943, $7,000). | 7,500 | 8,500 | 4,575,000 | [6] 5,700,000 |
| 229. 9 East 37th St | H. W. Giger Corporation, importers fabrics. | 3,000 | 4,000 | 255,000 | 450,000 |
| 230. 270 4th Ave | Lester A. Stern, woolens | 4,400 | 7,000 | 410,000 | 810,000 |
| 231. 250 West 39th St | Sunbright Coat, Inc., manufacturing coats (1943, $3,450). | 3,900 | 4,700 | 910,000 | 1,500,000 |
| 232. 594 Broadway | Orgler Envelope Co. (1943, $2,600) | 3,000 | 4,000 | 375,000 | 950,000 |
| 233. 330 West 38th St | Austein Sportswear (1943, $2,115) | 2,565 | 3,565 | 765,000 | [12] 1,225,000 |
| 234. 33 Union Sq | Acme Merchandise Co | 1,500 | 3,000 | 127,000 | 280,000 |
| 235. 2 West 20th St | Tuska Merchandise Co | 2,400 | 4,000 | 845,000 | 1,220,000 |
| 236. 520 8th Ave | Lavitt Girl Coat Co | 4,400 | 5,400 | 3,550,000 | 4,800,000 |
| 237. 67-71 Spring St | Stainless Electro Plating Co | 2,100 | 4,000 | 107,000 | 173,000 |
| 238. 67-71 Spring St | Academy Silverwear Co | 1,080 | 1,620 | 107,000 | 173,000 |
| 239. 20 East 53d St | Helen Adair | 720 | 1,200 | 250,000 | 400,000 |
| 240. 115 4th Ave | D. D. Whyte Manufacturing Co. (1943, $5,500). | 7,000 | [3] 8,750 | 300,000 | 440,000 |
| 241. 520 West 48th St | Stuyvesant Fixture Co. (1943, $1,200). | 1,740 | 1,980 | 90,000 | 100,000 |
| 242. 377 West Broadway | Burger Metal Stamp Co. (1943, $7,000). | 9,000 | 11,000 | 71,000 | 150,000 |
| 243. 721 Broadway | Pincus & Tobias, shoe manufacturings. | 9,000 | 14,000 | 1,160,000 | 2,150,000 |
| 244. 498 7th Ave | Rugby Casuals, Inc | 6,000 | 8,000 | 4,625,000 | 6,000,000 |
| 245. 12 East 22d St | Paris Art Label Co | 3,300 | 4,500 | 225,000 | 450,000 |
| 246. 171 Madison Ave | Edward Goldman Co | 1,100 | 1,450 | 700,000 | 1,150,000 |
| 247. 230 West 38th St | Scheidlinger & Kaplan (1943, $4,018). | 4,768 | 6,018 | 745,000 | 1,115,000 |
| 248. 28-30 West 25th St | Rosal Dress Co. (1943, $2,500) | 3,000 | 4,500 | 140,000 | 290,000 |
| 249. 1384 Broadway | Edward Schainman Sportswear Co., manufacturing. | 7,500 | 10,000 | 1,600,000 | [9] 12,575,000 |
| 250. 1384 Broadway | Guta Inc. (manufacturing) | 5,000 | 7,000 | 1,600,000 | 12,575,000 |

[1] 1929.
[2] Plus escalator clause.
[3] 1931.
[4] 5 years.
[5] 3 years.
[6] And bonus.
[7] Two years.
[8] 1929 merger.
[9] 1931, new building.
[10] 1929, new building.
[11] Up.
[12] 1930, new building.



Mr. PLATZKER. Assemblyman D. Mallory Stephens, chairman of the New York State Legislative Committee on Commercial Rents, sent the following reply to Mayor LaGuardia, via Western Union, on September 23, 1944:

Mr. Charles D. Brietel, counsel to Governor Dewey, has forwarded me the memorandum on commercial rent which you sent the Governor this week.

Our committee has already investigated thousands of such cases: Some have been settled satisfactorily. Others, including those on your list, will be the subject of public hearings in the Bar Association Building beginning October 5, 1944, at 10:30 a. m. The committee welcomes your interest.

I respectfully hand to the committee a copy of that telegram, sent to the mayor by Assemblyman D. Mallory Stephens, citing thousands of cases called to their attention.

The CHAIRMAN. For the record, Assemblyman Stephens is chairman of the New York State Legislative Committee on Commercial Rents; is he not?

Mr. PLATZKER. Yes, sir.

The CHAIRMAN. Proceed with your statement.

Mr. PLATZKER. But at this date, however, thousands of business and commercial tenants are still without any means of relief or protection. In desperation, these businessmen and trade associations representing them again turn to Congress for help.

May I now respectfully call the attention of the Senate Committee on Banking and Currency to the fact that as far back as October 27, 1943, Mayor LaGuardia attempted to prevent business and commercial rent-gouging when he created the mayor's lift rental mediation board. The mayor appointed this board after more than 200 businessmen appealed to him for help in renewing their leases which involved demands for exorbitant rental increases. The membership of this board included such outstanding New York City realty men as Charles F. Noyes, Donald F. Richart, Andre L. Benel, and Maj. George A. Sherron. The mayor felt that the recommendations of these men as to the fair appraised value of the commercial and business space for lease renewal would be widely accepted. In 3 months, the mediation board acted on 636 appeals. Although it had no power to enforce its recommendations, approximately 30 percent of the board's recommendations were accepted by both tenants and owners, approximately 50 percent of its recommendations resulted in owners modifying their original demands, while the remaining 20 percent insisted upon the original increase or the vacating of the premises.

During 1944 the efforts of the mayor's loft rental mediation board became more difficult, as each public hearing on rent control was concluded without any indication that a rent-freeze order would follow.

If the Senate Committee on Banking and Currency were to listen to the direct testimony of every business tenant in New York City now faced with rent-gouging increases, it would probably remain in continuous session for months. Thousands of business and commercial tenants—perhaps more than 5,000—are now at the mercy of rent-gouging landlords. Large delegations of these tenants have been steadily coming to my office in the Municipal Building appealing for help in renewing their leases. But the owners want no interference and are determined to win their rent-gouging leases—unless Congress will stop them.

Tenants who delay signing new leases for 2, 3, or 5 years—even at a few days' notice—though the increases are very drastic, soon find themselves headed for eviction from their premises at the expiration of their leases in January 1945. Hundreds of business and commercial tenants have already been told to vacate their lofts within the next 2 month, although they are desirable tenants. Most of these tenants are unable to obtain new lofts due to the expansion of others, and the general lack of vacant space.

A typical example of tenants having their lofts rented over their heads is the shocking experience of H. Rosenhirsch Co., Inc., of 808 Broadway, Manhattan. The War Production Board and the Defense Supplies Corporation, I am told, attempted to come to their aid, but in vain. The H. Rosenhirsch Co. is an agency for the distribution of bristles for the Defense Supplies Corporation, and enjoys an excellent reputation. They are now paying an annual rent of $4,500 per year for their loft. They were recently asked to sign a new lease for 3 years at an annual rental of $6,500, or an increase of approximately 50 percent.

Senator TAFT. How much money is invested in that property, or what valuation is placed upon it?

Mr. PLATZKER. I have not the figures here with me.

Mr. TAFT. Then I might suggest the possibility that the increase is no evidence of injustice, I mean, if you cannot supply this information.

Mr. PLATZKER. I can probably get the figures and give them to you.

Senator TAFT. All right. Who was the landlord?

Mr. PLATZKER. The agent in this case was Williams & Co.

Senator TAFT. But you do not know who the landlord was?

Mr. PLATZKER. No; I may have that name among the correspondence I have here in the file, but I cannot lay my hand on it easily at the moment.

Senator TAFT. Very well.

The CHAIRMAN. You may proceed.

Mr. PLATZKER. They first told the agent that they would think it over and then told him that they would sign the new lease for $6,500 per year. The agent, however, ignored the request and instead leased this loft to another firm (Criterion Shirt Band Co., Inc.) for 3 years at a much higher rental. The new tenant will pay $7,500 for 1945, $8,000 for 1946, and $8,000 for 1947.

The CHAIRMAN. What are they paying now?

Mr. PLATZKER. They are paying $4,500. At this point I want to offer all correspondence bearing on the matter by the old tenant and the new tenant in this case.

(The letters are as follows:)

CRITERION SHIRT BAND CO., INC.,
*New York, N. Y., November 27, 1944.*

Mr. JOSEPH PLATZKER.
*New York, N. Y.*

DEAR SIR: As per telephone conversation had with you on Saturday, I am enclosing herewith copies of two letters we received from Adams & Co, one on September 28, 1944, and the other on October 30, 1944.

I am also giving you herewith the information you asked for on the lease: This lease is dated October 20, 1944, covering the premises at 806–808 Broadway, New York City. Rent per year: $7,500, February 1, 1945 to January 31, 1946; $8,000, February 1, 1946 to January 31, 1948; monthly rent, $625 to January 31, 1946; $666.67 to January 31, 1948.



This is a 3-year lease from February 1, 1945, to January 31, 1948.

I have already given the landlord a check for $635 (the additional $10 is for water and sprinkler charges) in advance for 1 month's rent commencing with February 1, 1945. We have this canceled check in our possession and would be glad to show you same.

We hope this information will be of benefit to you.

Very truly yours,

CRITERION SHIRT BAND CO., INC.,
H. FURMAN.

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[Copy of letter received from Adams & Co.]

CRITERION SHIRT BAND CO., INC.,
*New York, N. Y., September 28, 1944.*

Re Third Floor

CRITERION SHIRT BAND CO., INC.,
*New York, N. Y.*

GENTLEMEN: Last Tuesday, the property at 801 Broadway was sold to a manufacturing company who will occupy your space above-mentioned, for its own purposes.

Since the lease on your premises expires January 31, 1945, the owner has requested that we write you to give you sufficient time to look for new quarters.

We offer the services of our renting organization and ask that you be good enough to call the writer who will be pleased to show you other space.

Yours very truly,

ADAMS & CO. REAL ESTATE, INC.,
SAMUEL HAUSMAN,
*Manager, Leasing Department.*

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[Copy of letter received from Adams & Co.]

CRITERION SHIRT BAND CO., INC.,
*New York, N. Y., October 30, 1944.*

CRITERION SHIRT BAND CO., INC.,
*New York, N. Y.*

GENTLEMEN: In accordance with clause 34 of the lease dated August 20, 1942, between 801 Broadway Realty Corporation as landlord and yourself as tenant of the third floor and portion of the basement at 801–807 Broadway, we wish to advise you that the landlord has elected to and hereby does cancel your occupancy and the term of said lease as of January 15, 1945.

Kindly be governed by these instructions and vacate the premises no later than January 15, 1945, leaving same in broom-clean condition and free of all debris.

Very truly yours,

ADAMS & CO. REAL ESTATE, INC.,
(Agents for Broadway, Eleventh Street Corporation, present owners).
By E. D. BRESEL.

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H. ROSENHIRSCH CO., INC.,
*New York, November 1, 1944.*

MAYOR'S COMMITTEE ON RENT CONTROL,
*New York, N. Y.*

(Attention Mr. Platzker)

DEAR MR. PLATZKER: We have been served last week with a notice by the Williams & Co. to vacate our premises at the termination of our lease which is January 31, 1945. The Williams & Co. have never advised us regarding this until receipt of this letter. They did, however, during the latter part of the summer say that they would raise the rent to $7,500 on a yearly basis or $6,500 for a 3-year lease from the present rate of $4,500.

I have advised them that we would let them know regarding this. After phoning them several times to come down with the lease they have never

showed up until we received this letter. During the past few days we have looked all over the city and cannot find anything for our purpose.

We have been in this building for 7 years since coming to New York from Rhode Island and have never given the landlord any reason for complaint. We find that the Williams & Co. have rented the loft over our heads without asking us whether or not we intended to stay. In view of the fact that we cannot find a place to go to, we would like to know what can be done. We are the Government agency for the distribution of bristles for the Defense Supplies Corporation and we cannot be interfered with in doing this work. Won't you please advise us the possibilities of our staying here and also if you can restrain the Williams & Co. from leasing the loft over our heads.

Very truly yours,

H. ROSENHIRSCH CO., INC.,
N. E. ROSENHIRSCH.

P. S. We took the matter up with the Office of Price Administration and they advised us to get in touch with you.

The CHAIRMAN. You may continue your statement.

Mr. PLATZKER. Although the Rosenhirsch Co. is one of New York City's largest bristle dealers—and helping in the war effort—it is unable to find another loft.

Other cases are similar to that of the Novelty Veiling Co., manufacturers occupying a loft at 39 West Thirty-seventh Street, Manhattan. They are now paying an annual rent of $2,700. They were offered a renewal of their lease at $5,000 per year. When they hesitated, the loft was rented to another firm for $5,500.

This letter is now offered in evidence.

NOVELTY VEILING CO.,
*New York October 10, 1944.*

THE MAYORS COMMITTEE,
*New York, N. Y.*

GENTLEMEN: We are having a problem in finding new space for our business. Our present rental is $2,700, and when our landlord Tishman Realty Co. increased it to $5,000 we thought that it was too drastic an increase, and asked him if he would do better for us. He gave us an alternative of either renewing this lease for $5,000 or renting it to another party at $5,500, which he did.

Our business has grown, and although we need larger quarters if they are available, we would just as soon stay here if arrangements can be made until new quarters are available. We could use 6,000 to 8,000 square feet of space. We employ over 30 people in help and also use contractors who employ possibly 200 people, and I do believe if we should not be able to find working quarters they would be thrown out of jobs.

We would appreciate every effort that you are able to make in our behalf.

Thank you for this courtesy, we remain

Yours very truly,

NOVELTY VEILING CO.

Mr. PLATZKER. The Novelty Veiling Co. now employs 30 workers, and uses contractors who employ approximately 200 workers. This company is now faced with eviction in January. If it is fortunate to find another loft it will most likely be at a skyrocketing price. But if it fails to find new quarters, and that is possible, their own workers and the workers employed by the contractors will be thrown out of jobs.

Among the many shocking cases of rent gouging, the plight of the firm Marcel Boucher & Co., manufacturers of novelties, at 304 East Twenty-third Street, Manhattan, stands out. And here are the papers in that case.



MARCEL BOUCHER ET CIE.,
*New York City, November 27, 1944.*

MAYORS COMMITTEE,
*New York, N. Y.*
(Attention Mr. Golden—Room 1836.)

GENTLEMEN: On August 20, 1943, we wrote our Hon. Fiorello LaGuardia relative to the necessity of legislation regarding the enactment of freezing rent law on business properties. Copy of said letter is attached hereto.

Once again we are obliged to present our case to you regarding repeated additional increases in rents demanded by our lessor.

We are manufacturers of novelties, located at 304 East Twenty-third Street, New York, N. Y., occupying a space area of 7,100 square feet on the eleventh floor.

Terms of lease on above premises:

July 1, 1940, to January 31, 1941: $1,200 per annum for 7,100 square feet floor space.

February 1, 1941, to January 31, 1944: $2,700 per annum for 7,100 square feet floor space.

February 1, 1944, to January 31, 1945: $5,200 per annum for 7,100 square feet floor space.

Present terms and demands by our lessor on renewal of lease: February 1, 1945, to January 31, 1948: $7,000 per annum for 7,100 square feet floor space.

During the above period of occupancy no improvements or additions have been made by the lessor.

Lessor, R. & H. Management Co., 271 Madison Avenue, New York. Lessee, Marcel Boucher et Cie, 304 East Twenty-third Street, New York.

We therefore appeal to you to present our problem, one of many similar to ours, to our New York Senator, Robert Wagner, for the introduction of a rental-freezing bill to eliminate such above abuses and parasites.

Your efforts and cooperation in this matter will be a mutual benefit to all concerned tenants.

Very truly yours,

MARCEL BOUCHER ET CIE,
MARCEL BOUCHER, *"Partner."*

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MARCEL BOUCHER ET CIE,
*New York City, August 30, 1943.*

Hon. FIORELLO LAGUARDIA,
*Mayor of New York City.*

MAYOR: This liberty is exercised with the sole purpose of bringing to you our case in regard to rental increase on business property.

We are an established firm in the manufacture of jewelry, with office and factory located at 304-310 East Twenty-third Street, New York City.

At said premises we occupy the eleventh floor at an annual rental of $2,700.

Our lease expires on January 1, 1944. Whereupon we have been informed that effective January 1, 1944, said rental value for same floor space without any alterations or improvements thereon shall be increased to $5,200 annually.

Undoubtedly, you, as prudent mayor of our city, can readily see the unreasonable and unjust increase of $2,500.

However, through the medium of newspapers and exchange of conversation with the New York Chamber of Commerce, we are informed of the pending three resolutions relative to freezing of rents in this city of ours. We are also informed that you have appointed a committee of three to bring about some form of relief on this matter and also that a local bill is now pending for consideration with our State council at Albany, N. Y.

With respect to our mutual interest in this cause, we submit this information to strengthen and support your efforts and attention in bringing about the enactment of a rent-freezing law.

Inasmuch that at present no law, either executive, administrative or local, is in existence regarding freezing of rents in this city of ours, we look forward to you as one interested and capable to bring encouragement and relief to us and similar business people in our position.

Trusting that you will give this matter your wholehearted support and attention, we are,

Yours very truly,

MARCEL BOUCHER ET CIE.

P. S.: The management of this property is in the hands of the R. & H. Management Co., 271 Madison Avenue, New York City.

The CHAIRMAN. You may resume your statement.

Mr. PLATZKER. In 1943 they were paying an annual rent of $2,700 for their loft. When they were told that their 1944 rent would be increased to $5,200 per year they appealed to the mayor's loft rental mediation board for help. The owner, however, insisted upon his price and the tenant was compelled to sign. Marcel Boucher & Co. is now being asked to sign a new lease for 3 years at an annual rent of $7,000. Therefore, they too, through me, appeal to the Senate Committee on Banking and Currency to approve Senate bill S. 2176.

Some business and commercial rentals are skyrocketing to a point where the speculative owner of the property will net 100 percent per year on his equity. An example of such fat profits will be shown at 22 West Thirty-eighth Street, Manhattan, where an equity investment of $48,000 will show an annual profit of about $49,000. Rents in this building are being increased over 100 percent for 1945.

The owner of 395 Fourth Avenue is due for a sensational profit of $100,000 a year on his equity investment of $50,000—or 200 percent profit.

Senator HAWKES. Mr. Chairman, may I ask a question at this point?

The CHAIRMAN. Certainly, Senator Hawkes.

Senator HAWKES. When you say 100 percent you mean that is the equity in the property?

Mr. PLATZKER. That is the investment when he bought the property.

Senator HAWKES. Does that mean the total investment, including a mortgage?

Mr. PLATZKER. It is excluding the mortgage.

Senator HAWKES. Do you mean that on the value of the property as it stands to him, he will net 100 percent?

Mr. PLATZKER. No; on his investment.

Senator TAFT. What bearing does that have on the question we are considering here? Suppose he purchased it for 5 percent of that price? It seems to me in order to make a case you will have to give us all of the facts, figures, and names. I think you should do that if you want them used. It all depends upon the circumstances of the individual case.

Mr. PLATZKER. The investment on the part of the owner of this property when he purchased it was $48,000 in cash, above the mortgage.

Senator TAFT. And what was the mortgage?

Mr. PLATZKER. I have not got that.

Senator TAFT. That makes quite a difference. When you pay $48,000 in cash you may also assume an obligation to pay $500,000.

Mr. PLATZKER. Yes.

Senator TAFT. So the return on the $48,000 in cash does not make any difference.

Mr. PLATZKER. We figure on all that has a bearing on the case, taxes, insurance, interest on mortgage. After meeting all of these obligations he will still have quite a net on his investment.

Senator TAFT. The question is, what he paid for the property, and what he has paid and will pay on the property in its entirety. You must show those figures if you want to make a case that he is getting too much money by way of rent. Maybe he did not pay out any money, or 5 cents, but we do not know that. The question is, what



he assumed. The assumption of a mortgage is as much a part of his investment and risk he is taking as the cash he puts in.

Mr. PLATZKER. But we do know this, that there are a large number of applications on file now with savings banks and insurance companies for increases of mortgages because of what is happening here. I think if this committee would take the liberty of summoning officers of savings banks and insurance companies, the members of the committee would be astounded. In this particular case we show the profit on the investment is $49,000.

Senator TAFT. But if you want to make a case you have to show what the real investment is, what the property is worth today, and whether the return on that is excessive or not. The mere fact that the rental is more than was charged last year does not prove whether it is reasonable or unreasonable. Nor does the amount of the equity prove anything. I would say you have not a complete case. In other words, I do not think you make a complete case with the facts that you have given to us.

Mr. PLATZKER. I will try to provide you with that supplemental data.

Senator HAWKES. If a man has an investment of $50,000 in a property, how much mortgage might he have to stare him in the face?

Mr. PLATZKER. The mortgage is $200,000 at 4 percent interest.

Senator HAWKES. So that his real investment is $250,000 in that building, because he is responsible for the $200,000 mortgage.

Mr. PLATZKER. Yes, sir.

Senator HAWKES. So it is not quite fair to say he is making 200 percent on the value of the property.

Mr. PLATZKER. After meeting all his current obligations, that would be his net.

Senator HAWKES. But he does not make 200 percent on the value of the property. That is the point. And if you have ever had a mortgage on anything, you know how difficult it is sometimes to pay that mortgage on real estate. He has got something to think about.

Mr. PLATZKER. Well, I believe, Senator, that if every property owner——

Senator HAWKES. I am not saying anything about that.

Mr. PLATZKER. Has as much to worry about on the mortgage as this man at 395 Fourth Avenue, I think the whole country would go into the real estate business.

Senator HAWKES. Well, I know nothing about that.

Mr. PLATZKER. Yes.

Senator HAWKES. But I want to get the point that 200 percent is not on the value of the property.

Mr. PLATZKER. It is on the investment.

Senator HAWKES. And so forth.

Mr. PLATZKER. It is a net profit on his investment after meeting current obligations.

Resuming where I left off:

A detailed study of other buildings, I am sure, will easily reveal widespread profits, as a result of rent-gouging, that will exceed even some of the most handsome profits netted by speculative operators in 1927, 1928, or 1929.

The owner of 101 West Thirty-seventh Street—occupied by at least 50 tenants—attempted to collect huge bonuses instead of increasing the

leases. After Mayor LaGuardia exposed this demand most tenants finally obtained new leases but at higher rentals than the amount of the present leases plus the requested bonuses. I wish to read into the record of this hearing a letter dated August 25, 1944, from the Maebelle Novelty Co., located in this building, and addressed to the Office of Price Administration, 535 Fifth Avenue, New York City.

Incidentally, all complaints sent by commercial tenants to the O. P. A. have been referred to our board for assistance or follow-up. I think this is a particular communication that would interest you all. I am submitting it in evidence also.

Senator TAFT. In the case of many buildings they were sold under foreclosure proceedings and were purchased for a song.

Mr. PLATZKER. And those people that bought properties for a song are now trying to bring back rentals to what they were in 1929, or maybe even higher than that.

Senator TAFT. And maybe some of the people lost all that they put in it.

Mr. PLATZKER. Those are typical speculators that had no interest as far as the future of New York is concerned.

Senator TAFT. Yes, but while you are telling us that, you have no evidence. You do not give us the names of the owners. We cannot submit it to them. Unless you give us more facts about these cases I do not think you can make any cases, except the general fact that rents are going up, which, of course, we are concerned about.

Mr. PLATZKER. We have no vacant space available. All of the realty men admit that. If a tenant wants to stay in business he must pay what he is asked to pay. If you do not want to control inflation, all right.

Senator TAFT. It is not what we do or do not want to do. If we are to legislate, we must have factual information. Let us take the case of H. Rosenhirsch Co., Inc.: Do you suggest that the fact that they would have to pay $3,000 or more a year—which, incidentally, would reduce their taxes, so that the total increase would not be probably over $500 a year—would that increase the price of bristles to the Government? Does that affect the inflation picture?

Mr. PLATZKER. That is only one small point. They are asked to pay a 50 percent increase, and before they had a chance to give a yes or no answer, the property is leased to someone else. They are denied the right to give the matter consideration and to give an answer. It was rented to some strange tenant for $8,000.

Senator TAFT. You are suggesting that this has a general effect upon the price of goods sold to the public. I am asking you for information, whether in this particular case, which you say is an outrageous case of a possible advance of $3,000 a year in rent, whether that really is going to affect the price of what that firm sells to the Government.

Mr. PLATZKER. Perhaps in that particular case it may not. But I do want to point out that they were ready to sign a lease for a 50 percent increase in rent, but someone else signed a lease that will increase the rent almost 100 percent.

Senator TAFT. I understand your statement. But, after all, has all that any substantial effect on the general inflation picture?

Mr. PLATZKER. I believe so, because it goes right on down the line. You come right on down the line to the retailer.



Senator TAFT. What is the annual volume of product of the Rosenhirsch Co. in that particular loss?

Mr. PLATZKER. I have not the details. I will be glad to furnish any additional details.

Senator TAFT. I would be surprised if it were not as much as $5,000,000 a year, and if that is the case, what is the difference? What difference does a thousand or two dollars make in the cost price? How does it affect the general inflation picture?

Mr. PLATZKER. We look at it this way: If that same thing is repeated all over town, it will be serious. In only an isolated case you may be correct.

Senator TAFT. It seems to me you might have a better case to show inflation if you could show the retail grocery stores, I mean more than in the case of the lofts.

Mr. PLATZKER. I believe there is testimony in the hands of the committee sent in by the independent retail grocers. They have an association representing 10,000 retail grocers.

Senator TAFT. I think that sort of thing might have more effect upon the general inflation picture than the loft buildings. I do not believe this will affect the price of Government goods.

Mr. PLATZKER. In proceeding here I will present some additional things. For instance, the New York State Pharmaceutical Association, representing 5,000 retail druggists, have complaints. We have a conglomeration of a situation, and I am pointing it out case by case. Of course, if this case is justified, and if other cases are justified, we are just encouraging another wild boom. We have felt for some time that if rentals are fair, the chance of being able to cushion our postwar program may be easier for business.

Senator TAFT. I want to know the effect of what you are talking about on the national inflation picture. I am doubting a little whether it is enough to justify the complete interference of the Federal Government throughout the United States.

Mr. PLATZKER. All right.

Senator BUTLER. I think it would clarify the whole picture if you could add to your statement, at your convenience, a statement that would show what percentage this represents on the gross sales of the firms that you mention; that is, what the rental represents as a percentage on gross sales, on the old basis and on the new basis.

Mr. PLATZKER. All right.

Senator BUCK. Mr. Chairman, may I put a question?

The CHAIRMAN. Yes.

Senator BUCK. Mr. Commissioner, I understood you to say that some banks have been compelled to increase mortgages. Do you know whether or not any of them actually did?

Mr. PLATZKER. So far they have preferred not to discuss that, and I don't know. But I do know that many applications are on file with many institutions. That is why I raise the question. On the one hand, if we go ahead and permit this to continue we will get into trouble, and mortgages will go up. And if they go up, it leads to other trouble in this whole picture.

Senator BUCK. What is that?

Mr. PLATZKER. It will lead to more trouble in the whole real-estate picture.

Senator MAYBANK. Has there been any other place in the United States that has had any complaints? Do any of you gentlemen have any complaints?

Senator BUCK. What was your question?

Senator MAYBANK. Have you had any complaints from any other city except New York?

Senator BUCK. I have had complaints of two increases in my State.

Senator MAYBANK. I have not had any. Now, Mr. Platzker, why do you think Governor Dewey did not call the New York State Legislature together for the purpose of enacting a State law to remedy your situation? I would say that nothing like this exists where I come from.

Mr. PLATZKER. All that we know about that is that we submitted the evidence to him, and a committee was established to hear testimony.

Senator MAYBANK. Did Governor Dewey give any reason for not doing what I have asked about?

Mr. PLATZKER. I have no authority to speak for the Governor. I have only the communications I submitted in evidence, and they indicate that there were thousands of complaints.

Senator MAYBANK. Do you not have to license these people under a city ordinance?

Mr. PLATZKER. Yes, sir.

Senator MAYBANK. Why couldn't you raise the license fees to take care of it?

Mr. PLATZKER. That is another question.

Senator MAYBANK. This bill as I read it affects all of the United States. There has been no complaint from our section. If such a thing happened in my State, we would take care of it, in the case of a city we would pass a license.

Mr. PLATZKER. When the bill was originally enacted the idea was that the entire United States would come under rent control.

Senator MAYBANK. In defense areas.

Mr. PLATZKER. Yes; and New York City is a defense area. If this bill as amended were approved by the committee and the Congress, it would authorize O. P. A. officials to approve or disapprove in such areas where complaints have been numerous. Perhaps New York City might be one of the few cities.

Senator MAYBANK. But the O. P. A. might attempt to interfere in other defense areas where there were no complaints. I wanted to bring out the fact that you can license these people, and you can put the license fee at $10,000 or whatever you wish, for indeed there is no limit, as I understand it, and you could regulate them in that way.

Mr. PLATZKER. Should we set that type of precedent?

Senator MAYBANK. I am not suggesting that, but am merely throwing that out to show what could be done. I want to get enlightenment on the situation. If this bill is enacted into law it would be setting a precedent to investigate all rents in South Carolina, and everybody there is satisfied, so far as I know. It would be a tremendous expense, for it would mean putting more people on the pay rolls to run all around the United States. This law applies to all defense areas.

The CHAIRMAN. I take it, if there were no complaints the O. P. A. would not exercise its authority.



Senator MAYBANK. I am not sure of that. Let me suggest this thought to you: Wherever you have a law, people can start complaints with the O. P. A., and my experience is that they will start them sometimes whether justified or not.

The CHAIRMAN. Before, when the matter was up for extension of the O. P. A., the sentiment was almost unanimous, among business people and labor organizations, for a continuation.

Senator MAYBANK. I agree with that, but I am suggesting this one specific thing.

The CHAIRMAN. After the last war, if you go back that far, and I did, there was a great deal of shortage of dwellings, and the same thing occurred which seems to be occurring here, to increase rentals abnormally, and the State Legislature of New York did pass the so-called rent law.

Mr. PLATZKER. Yes, sir.

The CHAIRMAN. I remember it because it came before me as a judge, and I declared it constitutional. It went all of the way to the United States Supreme Court, and it was there upheld, that you cannot have people suffer. There was a decision to fix and determine whether rents are unreasonable. Haven't you the same thing in New York now?

Mr. PLATZKER. But the commercial rent viewpoint is different from residential. These people are in business to make a profit. That is why New York City set up this board.

Senator MAYBANK. There is a difference between business and homes.

Mr. PLATZKER. Yes, sir.

Senator MAYBANK. And your distinguished Senator suggests that last year the State did pass a law.

Mr. PLATZKER. Yes; for residences only.

The CHAIRMAN. And you appealed to Governor Dewey in September or October.

Mr. PLATZKER. Yes, sir; on September 16, if I recall it correctly. The reason the courts upheld the law of 1922 was for health reasons. The health of the public was involved.

The CHAIRMAN. It was the general welfare, which included about everything.

Mr. PLATZKER. Yes, sir. Here, of course, as I have said before, and I want to repeat, Senator Taft, that is why we set up the mayor's loft mediation board, and included on it some of our key realty men. Major Sherron is a prominent person in New York City, and he is vice president of the management division of the New York Real Estate Board. So we have been working with prominent realty people right along.

Senator TAFT. Was this appeal made since the last legislative session, or when was it made?

Mr. PLATZKER. Yes.

Senator TAFT. Is there any reason why the New York Legislature should not deal with this subject after the 1st of January instead of our trying to deal with it generally here?

Mr. PLATZKER. It will introduce other things. They have to set up a new agency if they do that. We do not know what they will do. If the New York State Legislature does approve it, it will mean the setting up of a new agency.

Senator TAFT. It might mean a new division of the present Federal agency, might it not?

Mr. PLATZKER. I think it would mean a new agency.

Senator TAFT. If they have no one to deal with such a thing at the present time they would have to set up a new division.

Mr. PLATZKER. Yes, sir.

Senator MAYBANK. It would be another division of our bureaucracy.

Mr. PLATZKER. In spite of all the objections leveled at the O. P. A. Rent Division, I will say——

Senator MAYBANK. I am not criticizing that.

Mr. PLATZKER. I want to say for the record that the O. P. A. rent activities, as far as they are concerned, have been very well done in the city of New York. The number of complaints have been very small.

Senator TAFT. My suggestion is that you will have to set up a new bureau if you handle business rentals. It would be an expensive bureau, for there would be thousands and thousands of cases in New York City alone. I do not think you can say that the State would have to set up a new bureau and the O. P. A. would not. I think the O. P. A. would also.

Mr. PLATZKER. The only bureau that would have to be set up would be one in regard to appeals. The majority of the owners would go along on the freeze date. Only in cases where it could not be done would there be the question of appeal.

Senator TAFT. You claim you could not do this in New York because it would take too long to set up a bureau. They can set up a bureau the same as we can. It would seem to be purely a New York affair.

Mr. PLATZKER. Except as to the whole question of price ceilings. Everything of that kind is regulated by the O. P. A.

Senator TAFT. We have some two or three areas in the United States where the local people acted first, and the O. P. A. stood outside. It has been very satisfactory. I do not see why we should not begin on the same thing in the matter of business rentals. If the complaint develops at one place, let that place try to regulate it first. I do not see why New York should not undertake this at the first.

Mr. PLATZKER. If we had the authority in the city of New York, we would go ahead.

Senator TAFT. What about the New York State Legislature?

Mr. PLATZKER. We do know that the situation is serious.

The CHAIRMAN. This is a defense area?

Mr. PLATZKER. Yes, sir.

The CHAIRMAN. I take it that the Congress is vitally interested to see that no injustice is done. It is a question of justice. We are talking about a lot of technicalities, but here is a question of justice.

Mr. PLATZKER. Yes, sir. Senator Taft, I will be glad to submit additional data.

Senator TAFT. All right.

Senator MAYBANK. Might I ask one question about the Government agencies up there?

Mr. PLATZKER. Yes.

Senator MAYBANK. What have you done with them?

Mr. PLATZKER. Beg your pardon.

Senator MAYBANK. Might I ask you?



Mr. PLATZKER. Yes.

Senator MAYBANK. About the Government agencies and their rent. Have they had the same——

Mr. PLATZKER. Problem. No.

Senator MAYBANK. Problem.

Mr. PLATZKER. Not to our knowledge.

Senator MAYBANK. The reason I ask that——

Mr. PLATZKER. No, sir; not to our knowledge.

Senator MAYBANK. Army and Navy too?

Mr. PLATZKER. That is right.

Senator MAYBANK. Then, the problem is more or less to send people that are not connected either directly or indirectly with the Government except in the case of some defense plants corporation alone?

Mr. PLATZKER. That is right.

Senator MAYBANK. It is not direct. I ask that because the mayor came down here when there wasn't anything much rented in New York, so he said.

Mr. PLATZKER. That is right.

Senator MAYBANK. And we moved some of the agencies up there, and I was hoping that at least they were treated right up there.

Mr. PLATZKER. I believe they are being treated very fairly.

Senator TAFT. What is the office building situation in New York? Is that comparable to the loft building situation, or is there an excess of office building space?

Mr. PLATZKER. Well, there was an excess of office space, and there is in some isolated cases, but——

Senator TAFT. You haven't had the same experience with that?

Mr. PLATZKER. But more office buildings are 100 percent rented now than at any time in the history of New York City. Of course, we have isolated cases in some parts of Wall Street where investment banking houses were merged with other organizations and they have not been able to dispose of their properties. Those properties have been fixed up in an effort to obtain one new tenant. There are two vacant buildings of that type down in Wall Street. Unless you obtain one tenant per building, why, it still is available.

Senator TAFT. Generally speaking, you do not have the same pressure difficulty with office buildings that you are having with loft buildings?

Mr. PLATZKER. We have in some cases; not in comparison. No, not in comparison; but we have, especially with the speculators who come in and buy the property and want a quick profit.

Senator TAFT. Can you tell me, is there any standard accepted in New York as to the percentage? Is there any relation between the rentals of loft buildings and the percentage of gross sales?

Mr. PLATZKER. No.

Senator TAFT. As there is in the case of retail stores?

Mr. PLATZKER. No, sir; none whatever.

Senator TAFT. There is no such relationship?

Mr. PLATZKER. No, sir.

Senator TAFT. What is considered or what are the standard rates per square foot on loft space in New York? Do you know? I mean, what is considered a basis of loft space rental?

Mr. PLATZKER. Loft? Or office?

Senator TAFT. Loft space; yes.

Mr. PLATZKER. Loft space. Well, unfortunately, there is really no yardstick, of course, one of the bad things about so many phases of organized real estate: In other words, it depends upon a lot of factors. It depends upon your mortgage, it depends upon your location, it depends upon the demand of the industry that might want to be at one particular location, and other factors.

Senator TAFT. A long time ago in Cincinnati I seem to remember that loft space was around between 30 and 40 cents a square foot.

Mr. PLATZKER. Well, we have localities in Manhattan in New York City.

Senator TAFT. I may be entirely wrong.

Mr. PLATZKER. Yes.

Senator TAFT. But I mean comparable; what are the general rates in New York City?

Mr. PLATZKER. We have some localities in New York City where the average per square foot for loft space never exceeded—not in the last 20 years, even—exceeded 50 cents a square foot. Now they are skyrocketing up to over a dollar a square foot. In an instance I cited just a little while ago, the Marcel Boucher Co., they are in a very old building at 304 East Twenty-third Street. It is off the beaten track, no particular need for it except, of course, that that man had been there for a long time and they feel he has no place to go. They got $2,700 to $5,000, $5,200. Now it is $7,000.

Senator TAFT. Are the rates in Brooklyn less, or are they the same?

Mr. PLATZKER. There were increases in Brooklyn. It depends upon where speculators come in, as those speculators buy at a profit. Nine times out of ten when you watch the papers and find a property has been sold, the chances are there will be trouble right away; and that, of course, has been the core of our whole trouble in the city of New York.

Senator TAFT. That is why I asked you that. Are rates in the outlying districts generally lower?

Mr. PLATZKER. They have always been much lower than Manhattan. They are older buildings and smaller buildings, and of course being so far away from the center of things the values are naturally lower too. They don't compare in either size or structure or services with those in Manhattan structures.

Senator MAYBANK. Is this property assessed on the basis of its cost or on the basis of its cost with consideration of income, or income?

Mr. PLATZKER. Well, of course, we are not to go into the question of the manner in which they are assessed. They are based upon many factors.

Senator MAYBANK. That is what I meant.

Mr. PLATZKER. Yes. There are a combination of factors that are considered in connection with the assessment of value. Of course, the land itself is a very important factor.

Senator MAYBANK. And then, of course, the income that they get from it.

Mr. PLATZKER. That is right.

Senator MAYBANK. Have you changed any of the assessments as these incomes have increased?

Mr. PLATZKER. No; not yet, I am glad you raised the question, Senator, and I think it was either Senator Mead or Senator Murray



that raised the same question before the Senate Small Business Committee in July, and he said, "Why not go ahead and increase these assessments if the rents are going out of proportion?" Well, of course, if that seems to be the only alternative, the chances are that the tax department officials will look into that phase of it, but we are hoping——

Senator MAYBANK. How long would it take you? Do you have any statutory requirement of reassessment? Every 2 years?

Mr. PLATZKER. Every year.

Senator MAYBANK. Oh; it is every year.

Mr. PLATZKER. And now, incidentally, the tax assessors are now out in the field inspecting these various properties. But, while assessments might go up, I want to point out: Suppose we go ahead and bring values back to what they were in 1928, or close to that figure; then of course the rental demands will always remain high. We are pulling up rent, up to the old levels again. That is why we felt it would be far better, as far as business is concerned in connection with readjustments for the post-war programs, if we had a rent freeze order rather than if we brought the valuations up and of course freezing rents at a new high level too. That, of course, is quite a problem.

Senator TAFT. New York valuations and taxes are very high anyway, aren't they?

Mr. PLATZKER. I don't think so; no.

Senator TAFT. Don't you think so?

Mr. PLATZKER. No, sir. No.

Senator TAFT. They are over 3 percent.

Mr. PLATZKER. The basic rate is 2.74.

Senator TAFT. Basic rate?

Mr. PLATZKER. Yes.

Senator TAFT. The fact of the matter is, it is over 3 percent on a fairly high valuation in most cases.

Mr. PLATZKER. Well, it all depends upon the case, and chances are they are mostly isolated cases. No, Senator; values have been tremendously cut. I think on loft space alone since 1928 approximately a billion dollars have been cut off valuations of commercial space in New York City. So there was quite an assessment slashing, and besides, of course, we have all heard the pretty story about foreclosures; these new operators come in and buy the property at a fraction of what the old owners held the property for, and taking advantage of the lack of available space and the inability of almost any manufacturer to move out of the space. In fact, frozen to the space whether he likes it or not, he has to pay anything demanded, unless he can get some protection from somebody.

Senator TAFT. The real difficulty is the inability to build new buildings, isn't it? I mean they could easily take care of the whole thing if there weren't many priorities, so to speak, and that will regulate itself very shortly after the war, I hope.

Mr. PLATZKER. Well, probably within a year or two that might ease things up, but we are very concerned now about 1945. The important point is what to do in 1945 while the war is still on, and even war contractors are being evicted, too, because of the rent situation.

I started off by reading this communication from the Maebelle Novelty Co. at 101 West Thirty-seventh Street, and submitting that into evidence, of course:

GENTLEMEN: If a delegate of the union came around and threatened to call a strike if not given a certain amount of money, the law prosecutes him because he is committing a crime.

How about the new racket of the landlords and building agents? Some will not renew the lease unless you give a cash payment they call bonus. In our case, we are at 101 West Thirty-seventh Street, New York City, we pay $2,262 per year. First we were asked $4,000 to renew the lease, then the agent for the building offered to renew the lease for "a bonus of $1,050" (we have the offer in writing).

They very well know that it is impossible to find space in the ready-to-wear district so we have to stand for the bonus or transfer the factory out of New York.

Don't you believe that it is time for you to do something to stop this injustice upon the small businessmen. They will be driven out of business if the condition continues a little longer.

Yours very truly,

MAEBELLE NOVELTY CO., INC.,
P. & D. FALCONIER.

I phoned the Maebelle Novelty Co. yesterday (November 29, 1944) and learned that after they rejected the demand for the bonus the loft they occupy was rented to someone else. They advised me that they made a careful search for other quarters but have found nothing. That means that they must move in January or be evicted.

Strong evidence that the bonus racket may be widespread has come to my attention again and again. Recently a young woman employee at 69 East Eleventh Street wrote:

How can a landlord demand a $3,000 cash bonus from my employer (a piece-dyer) for the "privilege of remaining in his building (69 East Eleventh Street) and get away with it?"

Our factory will now have to move out of town and we all (18) will be out of darn good jobs.

Many firms with war contracts have been refused lease renewals and face eviction within the next 2 months. Here is a typical example. It is a telegram to Mayor LaGuardia, November 14, 1944, from Max Kleinrock, of M. & J. Dress Co., of 257 West Thirty-ninth Street, and reads as follows:

My landlord has served me with notice for termination of my lease without discussing with me any renewal or increase. Together with the present lack of available space and War Production Board restrictions this forces me out of business. I have been a manufacturer of wearing apparel for 15 years and this same realty agent serviced me for 14 years. I am now engaged in war work with contracts which will run into late April 1945. I respectfully plead with you to intercede in my behalf. I would want to occupy the present premises at least for the duration of the war in order that I may continue to complete my war-production contracts.

Communication offered in evidence, the original telegram.

We are at a loss to help this tenant. We have been advised that the owner has leased this loft to a tenant from another building and that the new tenant expects possession at end of January 1945.

Piling new charges atop high rents is also becoming widespread. A first-page story, featuring this added gouge, appeared in the New York Sun on Friday, November 10, 1944, and is also offered in evidence. It was written by Mr. Garrett Winter, real estate editor of the New York Sun, who was previously shown a stack of recent complaints. It reads as follows (in part):



Recent purchasers of Manhattan loft buildings are devising novel means of extracting extra dollars from their aroused but frightened tenants ranging from $1 a month for water to $50 a year for "fire alarm charges." Their new leases demand rent increases from 50 percent all the way up to 275 percent.

Maintaining a pace established early this year, more than 100 letters from complaining businessmen were filed with Joseph Platzker, assistant commissioner of housing and buildings, who is chairman of the mayor's loft rental committee. Tenants are angered to the point of telling their troubles in writing to Mayor LaGuardia or his committee but, fearing the wrath of their landlords, many of them insist that their information be kept confidential. They plead for some sort of Government action to hold the line on business rents. Some are afraid the increases will force them out of business but they dare not withhold the lease agreements very long lest the landlords lease space "over their heads" and force them to hunt for new quarters in areas already bursting at the seams with tenants.

Long-term leases are still the general rule, although the length now asked appears to average 3 years instead of 5. Usually, the tenants are given but a few days to sign the new terms. In delaying action, they run the risk of still higher rent demand or some other form of penalty.

One of them, a West Twenty-first Street manufacturer engaged wholly in war work, was ordered by a new owner to sign a lease at a 70 percent increase and, in addition, to pay $1,000 which would be held without interest until 10 days after expiration of the lease. Moreover, the personal indorsement of the company president was demanded on the lease, making him personally liable to pay the rent should his firm be forced out of business.

Several tenants reveal they are now being forced to pay for items formerly included in their rent, such as $1 a month for water, the same for garbage removal, and even for sprinkler service.

One Bleecker Street manufacturer who said he paid $1,000 rent in 1941 and that subsequent annual increases of $50 and $230 were "fair," charged a new owner with "rubbing it in—a holdup" for a $2,024 rental in 1944 and a demand of $2,750 for each of the next 3 years. This year, he says, he is paying a $24 water charge, while his new lease calls for a $50 fire-alarm assessment as well * * *."

One of the many glaring examples of demands for exorbitant rent increase and a large extra charge besides involves a manufacturer at 402 Lafayette Street employing approximately 150 workers. When he moved into this building in 1936 his annual rent was $7,500. In 1938 it was increased to $9,600. In 1941 it was increased to $10,000. In 1942 it went up to $12,000. In 1943 it went up again to $14,000. For 1944 it is $17,500.

Senator BUTLER. Mr. Commissioner.

Mr. PLATZKER. Yes?

Senator BUTLER. That would be a splendid place to include in your final report the percentage that I asked for awhile ago.

Mr. PLATZKER. Yes.

Senator BUTLER. Showing, beginning with 1936, what his rental was on a percentage basis of his gross sales, and follow it through during the several years.

Mr. PLATZKER. Yes.

Senator MAYBANK. Mr. Commissioner, while you were going up from '36 to '41, and so on and so forth, there wasn't any attempt made then to get in touch with Governor Dewey, was there?

I say, was there any attempt then to have the Governor change the law?

Mr. PLATZKER. When was that? 1936?

Senator MAYBANK. Well, I mean you have mentioned several years.

Mr. PLATZKER. Yes.

Senator MAYBANK. Showing the skyrocketing of it.

Mr. PLATZKER. That is right. No; because at that time we still had vacant space in town, Senator, and it was either a question whether he would pay the cost of moving his plant and machinery, and other costs, or take his chances of staying on for another year or two and see what will happen later; but now they have nowhere to move to.

Senator MAYBANK. All this happened in the last year, when you haven't any statement——

Mr. PLATZKER. Last year and a half.

Senator MAYBANK. I mean, so you really haven't had any chance before at legislation?

Mr. PLATZKER. That is right. This is our first opportunity.

Senator TAFT. Mr. Commissioner, your suggestion is—the bill I don't think is very satisfactory on the question—your suggestion is that the O. P. A. be given power to freeze rents back to January 1, 1944?

Mr. PLATZKER. Yes.

Senator TAFT. The way it is put up here, the way I read the bill in relation to the amended act, it would go way back there to 1940 or 1941.

Mr. PLATZKER. Yes.

Senator TAFT. You don't ask for that?

Mr. PLATZKER. No, sir; we do not.

Senator TAFT. You are asking merely that you be allowed to freeze as of the 1st of January this year, as of '44?

Mr. PLATZKER. That is right; yes.

The CHAIRMAN. There are several amendments that ought to be made to the bill.

Mr. PLATZKER. Yes; that is right.

The CHAIRMAN. The bill is not perfect.

Mr. PLATZKER. We believe in being fair.

Senator TAFT. And you would let him fix a different date for business accommodations from the housing accommodations?

Mr. PLATZKER. It would be different; oh, yes. By all means, yes.

The CHAIRMAN. I agree to that.

Mr. PLATZKER. Yes.

Going on to this case, in 1944, the present year, this same tenant is paying $17,500. For a 1-year renewal, which must be signed not later than Monday, December 4, meaning next Monday, the demand is for an annual rent for the same premises of $27,000 plus an additional charge of $5,000 for the year for the use of live steam.

The CHAIRMAN. Would you repeat that?

Mr. PLATZKER. I would like to repeat this paragraph because it is a type that is serious, that is really shocking:

One of the most glaring examples of demands for exorbitant rent increase and a large extra charge besides involves a manufacturer at 402 Lafayette Street employing approximately 150 workers. When he moved into this building in 1936 his annual rent was $7,500. In 1938 it was increased to $9,600. In 1941 it was increased to $10,000. In 1942 it went up to $12,000. In 1943 it went up again to $14,000. For 1944 it is $17,500. For a 1-year renewal, which must be signed not later than Monday, December 4, 1944, the demand is for an annual rent for the same premises of $27,000, plus an additional charge of $5,000 for the year for the use of live steam.



Senator HAWKES. Mr. Commissioner, may I ask you whether this is an increased use of live steam?

Mr. PLATZKER. No.

Senator HAWKES. Is it something new, or standard?

Mr. PLATZKER. No.

Senator HAWKES. The same think that went along?

Mr. PLATZKER. The same amount of live steam.

Senator HAWKES. No increase at all?

Mr. PLATZKER. No.

Senator HAWKES. Because if there were an increase in the use of steam, a substantial increase, the thing wouldn't mean the same thing as it would if there were the same use of steam as had existed before.

Mr. PLATZKER. That is right.

Senator BUCK. What is the tenant's business, Mr. Commissioner? Do you know?

Mr. PLATZKER. Yes: hats.

Senator BUCK. Hats?

PLATZKER. Yes.

Senator MAYBANK. Who is that, sir?

Mr. PLATZKER. The tenant's business, manufacture of hats.

Senator MAYBANK. Oh, yes.

Senator BUTLER. Has he got war contracts?

Mr. PLATZKER. Beg pardon?

Senator BUTLER. Does he have——

Mr. PLATZKER. He didn't indicate to us. I don't know offhand.

Senator TAFT. What is it? A whole building or something?

Mr. PLATZKER. No. This is just one tenant. He occupies two floors in a very large building, 402 Lafayette Street, always occupied the same amount of space.

The CHAIRMAN. What percent profit would you call that?

Mr. PLATZKER. Beg pardon.

The CHAIRMAN. What percent profit would you call that? Have you figured out that?

Mr. PLATZKER. Well, this came—as a matter of fact, this man called only late yesterday afternoon to give me this last word: "What should I do? Should I sign up? Monday is deadline."

I told him, "I am leaving for Washington."

And he said, "Please try to find out if there is any chance of getting any action for relief. I have nowhere to go. I have already checked loft building agents all over town, and there is nowhere for me to move."

The CHAIRMAN. I suggest we ought not to be prostrate under the circumstances, with the Government helpless to do anything.

Mr. PLATZKER. That is right. They are absolutely helpless.

Senator TAFT. Who is the owner of the building? Do you know them? Do you know the owner of the building?

Senator MAYBANK. Really it is awful, Senator, but it looks as though New York is negligent too, if a man can be raised from $7,500 to $32,000.

The CHAIRMAN. I know.

Senator MAYBANK. I mean that is awful: for a comparable amount of live steam, from '36 to '44 five times as much.

Mr. PLATZKER. I do not have the owner's name handy, but I think his name is Mr. Herring.

Senator MAYBANK. That is the name of the hat he makes?

Mr. PLATZKER. No.

Senator MAYBANK. Herring hats?

Mr. PLATZKER. The owner of the building.

Senator MAYBANK. Oh. What sort of hats does he make? Do you know?

Mr. PLATZKER. Beg pardon.

Senator MAYBANK. Do you know what sort of hats he makes?

The CHAIRMAN. Well, this is the owner we are talking about.

Mr. PLATZKER. I am talking about the owner.

Senator MAYBANK. No.

Mr. PLATZKER. Type of hats?

Senator MAYBANK. I want to know the type of hats he makes.

Mr. PLATZKER. The type of hats he makes, variety of hats, particularly felt hats.

Senator MAYBANK. Men's hats?

Mr. PLATZKER. Men's hats; oh, yes.

The tenants of 38 East Twenty-first Street complain not only of demands for rent increase but that all 12 of them—referring to 12 tenants in this building—are being told to pay $12 per year water tax, or a total of $144 per year, although the water tax for the entire building, as charged by the city of New York, is only $25 per year.

One of the best proofs that the 1945 rentals in many instances will by far exceed rentals charged for the same space, even in 1929, is provided by a manufacturer of hospital furniture at 301 East Twenty-second Street. They have occupied the same premises since 1916. The highest rental charged to them was in 1929 when they paid $6,000 plus a monthly charge of $5 for steam. The current orders on file are for the armed service and war industries closely connected with the war effort. Back in 1943 the firm entered into war contracts and based their price calculations on current overhead expenses. They employ 50 workers and most of them own their own homes in the metropolitan area. They have just been compelled to sign a 5-year lease, the rent for 1945 to be $9,000, and the annual rent for the next 4 years will be $9,600. And besides, the charge for steam will be approximately $75 per month. This building is an old structure, erected some 75 years ago.

Numerous firms have complained that they will find it difficult or perhaps impossible to maintain O. P. A. ceiling prices if rent-gouging is not stopped.

Typical of many communications is a letter from a work-clothes manufacturer at 11 East Twenty-second Street, who says:

> Our prices are regulated by ceilings. We have had a great difficulty in trying to maintain these because of increased costs in many items we are compelled to purchase. The substantial increase in rent creates a serious problem for us and we are, therefore, compelled to seek relief.

A distributor of toilet sets, at 1261 Broadway, has this to say about maintaining ceilings:

> In spite of the fact that we have been forced to maintain a ceiling price on all of our commodities for the past 2½ years, and in spite of increased labor costs, etc., we have maintained our ceiling prices, but it is getting to the point where we cannot continue in business if we are forced to pay another increase in rent.



Another case: Sainberg & Co., Inc., of 37 West Twenty-sixth Street, one of New York City's best known distributors of desk accessories, writes:

> We have been in this business for over 52 years and we would certainly like to continue doing business, but with the exorbitant rents requested, we just can't manage. Our merchandise is sold on a price ceiling so that our prices have been the same since August 8, 1941. With labor and materials costing considerably more it is not easy to sell at a price ceiling established 3 years ago. With another substantial increase in rent (1943: $4,500; 1944, $6,250; 1945 requested: $9,000) the writer knows definitely that we will not be able to operate when the party is over and we have to scratch around for business.

The heads of many trade associations advised me during the past week that they either will send representatives to this hearing in Washington or will send telegrams endorsing Senate bill S. 2176. I have been asked, however, to voice the sentiments of some of these organizations.

One is a joint communication signed by the executive directors of the following associations:

American Cloak and Suit Manufacturers Association (Charles M. Sussman, executive director);

Industrial Council, Cloak, Suit and Skirt Manufacturers, Inc. (Samuel Klein, executive director);

Infants and Children's Coat Association, Inc. (Charles Baker, executive director);

Merchants' Ladies' Garment Association, Inc. (Joseph L. Dubow, executive director).

Now, this is the message:

> The undersigned organizations representing firms manufacturing 95 percent of the total output of coats and suits in the New York area urge the enactment of the bill you have sponsored for the regulation of commercial rentals. The excessive rent increases and long-term leases demanded in connection with lease renewals have the self-evident aspect of a serious burden upon the future functioning of small business units such as constitute this industry. The rent advances sought are unmistakably inflationary and should be effectually curbed. The long-term leases mean committing these firms to high rentals for periods considerably longer than those of previous leases. It is our sincere hope that Senator Wagner's efforts in behalf of commercial rent control will be successful.

Now, from Julius H. Levy, executive secretary, New York Clothing Manufacturers' Exchange, Inc.:

> We heartily approve the amendment to the Emergency Price Control Act of 1942 which shall empower the Office of Price Administration to include business buildings and the freezing of commercial rents.
>
> Our organization consists of 450 members representing 95 percent of the clothing industry. The manufacturers have been compelled to pay exorbitant increases in rents and in numerous cases they have been forced to vacate because the lofts have been rented over their heads.
>
> The Office of Price Administration has established ceilings on all clothing and the manufacturers cannot accept this increase in rent causing additional heavy overhead and thereby bringing greater hardship.

From Mr. A. Beckeman, manager of the Greater Blouse, Skirt, and Neckwear Contractors Association, Inc.:

> Our association, consisting of contractors operating over 300 factories in the city of New York, and representing more than 95 percent of the production of women's blouses, undergarments, and sportswear, desires to express to you our approval of the bill introduced by Senator Wagner to control commercial rents in this city.

We have received complaints from the majority of our members of excessive increased rents imposed upon them. In some cases, the increase exceeded 100 percent and endangers the existence of those thus victimized.

From Max M. Essenfeld, executive director of the Pleaters, Stitchers and Embroiderers Association, Inc.:

Our organization consists of over 300 factories operating in the city of New York. Our factories are engaged in the manufacture of pleating, stitching, and embroidery.

During the past year our office has received numerous complaints from our members concerning exorbitant rent increases and in many instances they received notice to vacate their premises on January 31. In other instances their premises have been rented over their heads. In view of the present shortage of factory space it is virtually impossible for our members to remain in business.

We trust that the Senate Banking and Currency Committee will recommend favorably on the bill proposed for rent control.

From B. H. Lerner, executive director of the Blouse and Skirt Manufacturers' Association, Inc.:

We heartily approve of the amendment to the Emergency Price Control Act of 1942 to include commercial business. We have a membership of 250 firms and on their behalf we wish to go on record at this time to include freezing of commercial rents.

We have had many complaints from our members who have been held up for unconscionable increases and other demands because of no protective legislation.

We feel that an emergency really exists, specially due to the fact that there is a shortage of commercial lofts in the city of New York, and, therefore, a great injustice is being done to the small businessmen.

From Lawrence Rosenfeld, president of the National Lamp and Shade Manufacturers' Association:

The members of this association, totaling over 80 manufacturers of portable electric lamps, lamp shades and novelties, all located within the New York metropolitan area, are again protesting most strongly against the rent gouge which has been and still is being perpetrated upon them by owners and operators of loft and factory buildings in this city.

As the expiration date approaches for most of their leases, we are receiving renewed and additional complaints of loft rental increases of from 50 percent to 200 percent, together with demands for long-term leases of from 3 to 5 years, as a condition precedent to renewal.

The complaints on the part of our members of enormous rental increases no doubt stem from the problem which confronts them as to how to sell their goods. The Office of Price Administration regulations prohibit increases in the selling prices on the premise that said regulations have stabilized prices of raw materials as of March 1942. These regulations lose their effectiveness when they fail to control the price of rentals, a commodity which may not be visible, but which nevertheless, is an important and integral part of the commodity to be produced.

Aside from the inflationary aspect of uncontrolled loft rentals, the members of this organization do not intend to sit by idly and allow this gouge to continue unabated.

From Mr. Nicholas S. Gesoalde, business manager of the New York State Pharmaceutical Association, 1261 Broadway, New York City:

The New York State Pharmaceutical Association, representing the 6,400 independent retail pharmacies of New York State, is on record as favoring an amendment to Office of Price Administration regulation to include price ceilings on commercial rents and especially the retail establishments.

We hope you will use your good offices to further this aim.

From Mr. Louis G. Gitlin, president of the New York Pharmaceutical Council, Inc.:

In behalf of the retail pharmacists of Greater New York, we wish to reiterate the seriousness of the situation which exists in our city with regards to the skyrocketing of commercial rents. Many complaints have reached our office, and we are of the opinion that unless this situation is curbed it will seriously endanger the welfare of our city.



The New York Pharmaceutical Council, representing 14 member organizations and the 4,000 retail pharmacists of Greater New York, have gone on record in favor of commercial rent control and we respectfully look forward to some form of legislative relief as quickly as possible.

From Mr. Charles Ackerman, secretary of the Independent Retail Grocers and Food Dealers of Greater New York. He phoned me to this effect yesterday:

At a meeting of the Independent Retail Grocers and Food Dealers of Greater New York, representing 10,000 grocers, we voted unanimously on October 15, 1944, at the Times Square Hotel, to petition Congress for commercial rent control in order to stop rent-gougers against the small, independent grocer.

The grocers we represent are located in Manhattan, the Bronx, Brooklyn, and Queens.

My conclusion is this: On the basis of this evidence, I respectfully urge the Senate Banking and Currency Committee to report out favorably Senate bill S. 2176. It is the one hope of saving small business in New York City from rent-gouging.

The CHAIRMAN. Mr. Commissioner, you have made a very fine presentation, I think.

Are there any questions?

Senator TAFT. Mr. Commissioner, what do you know about the general—what is the general employment situation in New York today?

I mean, there was a time here in the beginning of the war when it was considered a depressed area and there wasn't enough war business there, and we were encouraged to send more war business there. What is the present situation?

Mr. PLATZKER. Manpower shortage in many industries.

Senator TAFT. What?

Mr. PLATZKER. There is a manpower shortage in many industries.

Senator TAFT. Is it listed as one of the manpower shortage areas?

Mr. PLATZKER. Not yet, but we are pretty close to it now, on the over-all picture.

Senator TAFT. What is close?

Mr. PLATZKER. We are coming close to that now.

Senator TAFT. Well, but is it mostly this type of loft manufacturer you are referring to? Is that where the growth has been in the last year or two?

Mr. PLATZKER. Yes.

Senator TAFT. And even with rent control there will be a great shortage, I take it? There will be people who can't operate who want to operate?

Mr. PLATZKER. Well, I don't think so, Senator. I think from the other point of view, according to whatever statistics we have been able to gather, we understand that there are at least 250 residents or former residents of New York City that are being discharged weekly by the armed forces, either because of disabilities as a result of being either in the Pacific or European war area or because of over age; so of course to that extent we are easing up on our manpower shortage.

Senator TAFT. Well, I really was referring, rather, to the shortage of space. If this space is rented over somebody's head and he can't

find anywhere else to go, there must be an absolute shortage of space in New York today.

Mr. PLATZKER. Yes; there is.

Senator TAFT. So there would be some manufacturers that would simply be barred entirely because of the lack of facilities.

Mr. PLATZKER. That is right. It is quite serious.

Senator BUTLER. Do you have any statistics to show that there is a tendency for this type of industry to move away from the concentrated areas?

Mr. PLATZKER. We have communications from many organizations to that effect, but of course the feeling is this: That between now and February, if there is any chance of receiving relief, the chances are that this attempt to oust tenants from their premises will be eased tremendously.

The CHAIRMAN. But that would be a serious thing for New York City, wouldn't it?

Mr. PLATZKER. No question about it in our minds.

Senator TAFT. Of course, that threat, as far as that threat is concerned, they will face that anyway, because my general theory had been, before this bill was introduced, that this whole question would come up on the renewal of the Price Control Act in April.

Mr. PLATZKER. Yes.

Senator TAFT. And if we can freeze back to January 1, '44, now, we could freeze back to January 1, '44, in April '45. So that I don't think it makes much difference whether this bill is passed or not—and you have to realize that to go through two Houses of Congress in a week is something that most controversial measures can't do.

Mr. PLATZKER. Yes, surely.

Senator TAFT. There still will be that threat on the landlords that we may fix it up when we renew the Price Control Act, which has to come up in April for the 1st of July.

Mr. PLATZKER. Yes.

Senator TAFT. So I think you might call their attention to that, at least, whether this bill is passed or not.

Mr. PLATZKER. Yes; that is true.

Senator HAWKES. Mr. Chairman, may I ask the Commissioner this question——

The CHAIRMAN. Yes.

Senator HAWKES. Have you gone far enough to find out whether there is a difference in the treatment of old owners and landlords toward their tenants, and what you now term as the new element of speculators who come in to make all they can make while the getting is good?

Mr. PLATZKER. Yes; I would like to answer that question.

Senator HAWKES. Yes.

Mr. PLATZKER. Yes, indeed. I think it is a very good point. I would like to say as emphatically as I can that the vast majority of old-time owners—I want to repeat: old-time owners—are not among the people that we are charging as rent gougers. I am happy to say that there are many organizations, the old-time organizations, against whom, as far as our investigation goes, we have found absolutely no complaints of any kind; and that, of course, should do a lot to ease any attempt on anyone's part to label the entire real-estate industry as a group of rent gougers.



Senator HAWKES. Well, that is the point I had.

Mr. PLATZKER. Because we still have lots of very fine, decent property owners and decent agents in the city of New York.

Senator HAWKES. That is the point I wanted to bring out.

Mr. PLATZKER. Yes; your statement is correct.

Senator TAFT. What is the name of that cap company, that hat company that you referred to, the extreme case?

Mr. PLATZKER. I prefer to give it to the Senator without mentioning the name in the record, if he has no objection.

Senator TAFT. Yes; surely.

Mr. PLATZKER. I will give him the name. I shall be very glad to do so. I have it in my bag, Senator.

The CHAIRMAN. Thank you very much, Commissioner.

(Mr. Platzker withdrew from the committee table.)

The CHAIRMAN. Mr. Halperin. Mr. Harry J. Halperin. Is he here?

Mr. HALPERIN. Yes, Mr. Chairman.

## STATEMENT OF HARRY J. HALPERIN, COUNSEL, JOINT RENT ACTION COMMITTEE, NEW YORK CITY

The CHAIRMAN. You are the counsel for the Joint Rent Action Committee, aren't you?

Mr. HALPERIN. Yes, sir.

Gentlemen, the Joint Rent Action Committee represents 31 trade associations and the American Business Congress. I have a list of the names of the associations that I shall file for your records. Here they are:

Affiliated Dress Manufacturers, Inc.
Allied Underwear Association.
American Business Congress.
American Rabbit Dealers Association, Inc.
American Fur Merchants' Association, Inc.
Artificial Flower and Feather Industry of America.
Associated Fur Coat and Trimming Manufacturers.
Belt Association, Inc.
Children's Dress, Cotton Dress, and Sportwear Contractors Association, Inc.
Eastern District Outerwear Manufacturers Association.
Eastern Women's Headwear Association, Inc.
Greater Clothing Contractors Association, Inc.
Millinery Credit Association.
Manufacturers of Illumination Products, Inc.
Masters Electro-Plating Association.
National Dress Manufacturers Association.
National Association of Uniform Manufacturers, Inc.
New York State Pharmaceutical Association.
National Women's Neckwear and Scarf Association.
New Jersey Dress Manufacturers and Contractors Association.
National Knitted Outerwear Association.
National Association of Blouse Manufacturers, Inc.
New York Clothing Manufacturers Exchange, Inc.
National Authority Ladies' Handbag Industry.
Popular Priced Dress Manufacturers Group, Inc.
Pleaters and Stitchers Association.
Skirt Manufacturers Association, Inc.
The Textile Distributors Institute, Inc.
United Better Dress Manufacturers Association, Inc.
United Roofing Contractors Association.
United Infants' and Children's Wear Association.
United Popular Dress Manufacturers Association.

Those 31 trade associations have approximately 6,000 members, and they employ, in turn, about a half million people. The organization was formed because you can understand that the tenants as a rule lack organization, whereas the owners of realty have their local, State, and national organizations who are ever zealous to protect the interests of their members.

Now, don't misunderstand that only these members are affected by the rent gouge. There are thousands of others, not only in New York but outside of New York, and those who follow me will give you testimony, will give you the statistics, as far as we could afford to gather them, to show you that this is not local to the State of New York.

Hundreds of thousands of tenants in New York City and the rest of the country remain inarticulate for lack of organization, whereas the realty owners, opponents of this legislation, are well organized and have always been well represented. They have their realty boards and associations—local, State, and National—whereas the tenant is a novice in his pleas for protective legislation; owners are men of experience in that regard. So I presume to speak not only for the constituent members of these associations but for the thousands upon thousands of others who for one reason or another cannot make themselves heard.

Now, as a matter of fact, we are really here because of a legislative oversight, and because of that legislative oversight or as a result of it thousands of war profiteers were born.

Senator MALONEY. Did you mean a legislative oversight in New York?

Mr. HALPERIN. No.

Senator MALONEY. Or in Washington?

Mr. HALPERIN. In Washington, sir; and that use of the word "oversight," gentlemen, is not my own. As early as October 1942, testifying before another Committee on Banking and Currency, a former United States Supreme Court Justice, the Honorable James Byrnes, whom you all know, then Director of the Office of Economic Stabilization, testified as follows, and with your permission I shall read it. It is very short:

> The result of the failure to include commercial rents has been that from many sections of the country I have received messages advising me of the increase of rents, particularly since October 1——

This is October 1, 1942, gentlemen—

> of stores occupied by men dealing in groceries, butcher shops, and of little stores in the city of New York selling wearing apparel.
>
> In some instances the increases in New York City have been as high as 200 percent. From a long experience in the legislative branch I doubted the accuracy of some of these statements and took the trouble of investigating, as much as I could do so hurriedly, and I learned that the people who made these statements were reliable people, and at least in one instance, I verified the facts as to the increase.
>
> I feel satisfied that this omission of commercial rents was an oversight; and inasmuch as you were regulating rents of dwelling houses, and as you were authorizing the placing of a ceiling price upon wages and of commodities that you would favor placing some regulation upon commercial rent, which is such an essential factor in any price ceiling.

Senator TAFT. When is that?

Mr. HALPERIN. That is October 1942, Senator Taft.

Senator TAFT. It can't be, though, because wages were not included at that time. And it was not an oversight. The original Price Control Act was, concededly, a much more limited control than we have now, and it was no oversight. It was deliberate, as far as that is concerned. I don't mean to say it shouldn't have been done; I am only saying it wasn't any oversight.



Mr. HALPERIN. Yes. Well, now, of course I defer in any legal opinion or even any legislative matter, to the Honorable Judge Byrnes; and if he concluded that it was an oversight you will forgive me for using the word "oversight," whether or not that was a fact.

Senator TAFT. Yes. Well, it wasn't the fact.

Mr. HALPERIN. Yes, sir. Well, now, let me——

Senator TAFT. It has been deliberate, and it has been considered since, and it was considered last year and it was deliberately not put in. So whatever blame there is is on Congress for not doing it, not for overlooking it.

Mr. HALPERIN. And that is why we are here, Senator, to see whether we can't get Congress to admit that it made an error and to correct it. And let me point out, if you will, why I believe it was an error. Your very preamble of the original act says that the purposes of the act are to prevent speculation and to prevent war profiteering, and you fixed prices or at least you were going to prevent profiteering in commodities, and you were going to prevent profiteering in dwellings, and then you went on to define "commodities." Now, you weren't satisfied with just the use of the word "commodity" as to the article itself; you included in there services—services that went into the manufacture of the article, the commodity, such as handling, such as shipment. "Processing," you called it, and you included the word "storage."

Now, I submit to you, gentlemen, that when you included the word "storage" as part of a commodity or a commodity that should be regulated, why, it is just a hairbreadth—it might be even interpreted—the word "storage" might even be interpreted to mean rent. So that I definitely think that it was an oversight; that perhaps some of the legislators did think that the word "storage"—the definition of the word "commodity" covered rents. And, unfortunately, Senator Taft, when the bill came up lately and it was not passed, that told the O. P. A. that perhaps the original bill didn't include rent.

Senator TAFT. I assure you—I helped write the bill—it was not intended to include that. It was no oversight. And I don't see what difference it makes. The question is whether we should do it now.

Mr. HALPERIN. All right. The only difference it makes is that the onus is put upon us to do something which was not required of any other person or any other group of persons in the country. In other words, you are asking an exclusive group, a small group—you are asking tenants in commercial property to come in and prove to you the existence of an emergency before you will give them protection; whereas in January 1942, a month and a half after Pearl Harbor, without having the existence of any emergency, without having run-away prices, without having run-away rent in dwellings, you nevertheless legislated for the future, to avoid such an emergency and to give a proper agency the adequate authority to stop it the minute it shows its evil head. And that is all that we are asking you to do. Whether an emergency exists today, gentlemen, or whether it does not exist, is not really important, all we are asking you to do is to stop

that rent gouging or that profiteering if it occurs tomorrow, if it occurs next month, if it occurs next year.

Senator BUTLER. You speak as thought it is a national problem.

Mr. HALPERIN. It is, sir.

Senator BUTLER. I do not think it is safe to assume that. The committee has considered commercial rent along with residential rent and other problems from the very time that the price control bill was brought up, and commercial leasing is considered one of the most complicated of all real-estate operations and was purposely omited on the advice of everybody, including the O. P. A. There is no Government agency that has come before this committee and advised the inclusion of commercial rents in price control until this time now, and the question now is, Is it a national emergency?

Mr. HALPERIN. Well, now, may I suggest, Senator, that the only reason they come forward now is that as much foresight wasn't used with regard to commercial renting as with dwelling and other commodities. Now, you have not the proof that the proper foresight wasn't there, and so we show you an emergency. We are prepared to show the existence of an emergency, and I suggest that it is a national problem because the goods that are manufactured in New York State—and we are as much a part in the war effort as any other State in the Union—the goods manufactured in the State of New York for civilian purposes are distributed throughout the country; and whether that coat or that suit or these work clothes go to Carolina, North Carolina or South Carolina, or other States in the Union, the war effort is affected and so far as that is concerned, it is a national problem.

And may I suggest to you this also: The dwelling or the housing regulation doesn't prescribe that it shall cover the entire United States. You say to the O. P. A. Director or Administrator, "When you find that it occurs in only one little hamlet or one little village, whether it occurs in any other State in the Union, you go in there and stop it." And so we say to you gentlemen, too, whether it occurs in only ten square blocks in the large city of New York or whether it occurs in a village with only a population of 500 or 5,000, let the O. P. A. Administrator go in there and stop it, and don't permit rent-gouging and the profiteering.

And let me show you again why it is a national problem. You know that the contracts of most of the contractors who are engaged in war work are renegotiated, and the manufacturer has a right to deduct, as part of his costs or his expenses, whatever rent he pays; and if he is paying an exorbitant rent, if he has been gouged, then the United States Government doesn't get a refund on that renegotiated contract insofar as that exorbitant rent is concerned. So that, instead of the Government getting the return of the money, it is put into the pocket of a landlord. Now, to that extent, I submit to you, gentlemen, it is national, although we are going to prove to you, those who will follow me, that there are a number of complaints in other cities and States of the Union.

But let me say this. Aside from all proof that we will offer you and that you are requiring us to give, I read in last Sunday's Times, on the real estate page, something that comes out of the mouths of the very people who have been opposing this legislation from as far back as 1942. This is something that was published by the National Association of Real Estate Boards of this country, and they will probably be here to testify against this bill, and this is what they say. If you give me a minute I will find it and quote it to you. Here it is. Let this tell you whether this exists only in New York exclusively:



> The survey revealed a shortage of retail space in more than one-fourth of the reporting cities.

Covering the United States.

> Only 6 percent of the cities of over 500,000 population have any shortage, but almost half the cities between 100,000 and 500,000 population have developed a shortage. Selling prices of central business properties have risen in 51 percent of the cities.

So there you get an admission from the very opponents of all this type of legislation telling you that there is a shortage in over half the reporting cities having populations of 100,000 to 500,000. That certainly does not include the city of New York.

Senator BUTLER. What is the newspaper clipping you read from?

Mr. HALPERIN. I read from the New York—this happened to be from the Tribune of November 26, 1944. I did have with me the original release. I think I have it in my papers; and if you will excuse me I will find you the original release.

The CHAIRMAN. The Tribune is good enough for you, isn't it?

Mr. HALPERIN. But let me read the full report insofar as it covers the shortage of retail space:

> The survey revealed a shortage of retail space in more than one-fourth of the reporting cities. Only 6 percent of the cities of over 500,000 population have any shortage.

Senator HAWKES. Let me interrupt you there to find out whether you know how many "the reporting cities" means.

Mr. HALPERIN. I believe——

Senator HAWKES. It could mean only a few cities picked out, or it could mean many.

Mr. HALPERIN. No. I have to read it again to be sure. They talked of 377 reporting cities, and that covers the entire United States.

Senator HAWKES. Thank you very much.

Mr. HALPERIN. I want to read this first paragraph because it was an exact quote in the Tribune, and I would like to read this portion:

> War restrictions have put a premium on existing retail space in desirable locations, and a new influence has been felt, a move by businessmen to obtain space for post-war business opportunities. Consequently downtown business property leases made this year were in general at somewhat higher rents than in 1943 in one-third of the reporting cities and in only two-fifths of war centers.

Now, I submit to you gentlemen, that that ought to be conclusive proof, coming from the National Association of Real Estate Boards, that this situation is not local to New York.

Senator TAFT. There is one difficulty that led, I think, to leaving out these rents and to putting housing on a different situation from prices; and that is, in this field, you see, what they have proposed is a freeze. When you fix prices you adjust prices all the time. Unfortunately, they do not seem to be able to regulate rents—at least, so the O. P. A. says—without absolutely freezing them with practically no appeal for unjust cases, even in our housing.

We had that all up last year, and theoretically there is no doubt we ought to regulate these rents and will do so if necessary, I think. The only question is whether we have got to a point where we are going to do that, because it undoubtedly has created great injustice in the housing situation, more than balanced in that case by the necessity for having house rents down. But here, you see, what is being proposed is a freeze from January 1, '44. That means that a landlord who didn't increase his rents, who was reasonable, is frozen permamently on that basis, and the O. P. A. won't listen to him. I mean in the housing case they won't listen to a man and increase his rents even though he was reasonable. Whereas the fellow who boosted rents before that freeze date gets the advantage of all the boosts he made. In other words, there are certain difficulties that make it doubtful whether we should impose rent control until the situation is shown to be clearly an emergency situation.

I am only pointing out that there was not the same question arising in rents as there was in prices, and in fact for over a year there we left out wages entirely also, you see, because that also imposed a more difficult problem than the price problem. What you have to show—and I don't say you can't show it or aren't showing it—is that there is such a serious effect on the general national inflation situation that we should go into this control, with all of its injustices, rather than let the present situation continue.

Mr. HALPERIN. Well, now, Senator, may I suggest to you this thought: That not many people commit larceny; yet there are on the statute books laws describing what will be larceny. So that if only one landlord or a group of landlords raises rents to exorbitant heights, the O. P. A. will step in and stop them; and that we are in the midst of a war, and no other commodity, no other service that you can name to me, has received the same protection as the owners of commercial realty.

Now, does not the same argument that you make——

Senator TAFT. Well, the owners of farms, the owners of houses; they can sell them for anything they please, of course. I mean there are lots of gaps. There are lots of gaps in the controls.

Mr. HALPERIN. No; that is not similar. You can't rent them for any price that you please, whether you own the house or not. We are not attempting to fix a price at which a man can sell a loft building, an office building, or a store building. We are asking you to limit the price at which he sells space, the price at which he rents the service in the war effort. The rental of loft space or store space, or anything, is as much a part of the economy as any other item in any man's mind. Now, what is hard for us who are affected by this to conceive is, What is there about the owners of commercial realty that puts them on a higher plane than any other businessman or any other real estate owner in the country, and leaves them out as the only exempt commodity, if you please, in this war effort?

Senator TAFT. What about newspapers? I mean they have increased their price 200 percent in many cases without any control whatever.

Mr. HALPERIN. I assume——

Senator TAFT. I mean there are many other instances. I only cite that as one that you haven't regulated.



Mr. HALPERIN. If the instance that you can give me of another article is newspapers, I will just have to take it. But I do not think it is anywhere near akin to commercial real estate, particularly when you compare it with dwellings.

Now, I want to give you—I am personally familiar with a particular rent gouge. I think you ought to have the facts on this. I am not going to give you, as I said before, statistics. The others will give it to you. I don't know, Senator, incidentally, whether you were here when I read this report as to the condition of an emergency existing elsewhere, and before I give you the details of this other rent situation I should like to say to you this: That the proof is that there is no rentable space. Part of that space is occupied by Government agencies who have really gone into competition to some extent because of the war effort, with us who have to compete with them in rentals.

Now, when you have a shortage in any material or any other article, you have frozen it, you have ratitoned it, wherever there was need for the Government to get that material, wherever it would be in competition between the civilians and the Government, or vice versa. I may add that if the situation hasn't become one of an emergency in offices or in stores the O. P. A. Administrator needn't apply or promulgate any regulations to stores and offices. They can just apply it to the loft situation.

If I may resume my statement:

It was the boast of this Congress that in this country there would be no profiteering. Nevertheless, the owners of commercial realty took that oversight as the green light to demand higher and higher rentals. In many instances they have increased rents to the extent of 200 and even 300 percent.

I think it ought to be known that the tenants, particularly those of our State, have been given the run-around. The very real-estate interests who appear before you have in Washington always asserted that the question of controlling commercial rents is a State problem. When they appear before the legislative committees of the State of New York they protest that it is a national problem. For some unknown reason they have succeeded in both places, and so it is natural to ask, Why has this Congress allowed 2 years to pass without correcting the oversight?

What is there about commercial real estate that exempts it from the laws which govern every other industry in the country? It is the only commodity which has been left uncontrolled. Time after time we have presented facts and figures showing that owners of commercial realty have taken advantage of the emergency. I leave to the others who follow me and to those who preceded me the presentation of the statistics.

Of course, what the landlords are doing, not only in New York City but in many cities throughout the Union, is public property. Unless a man is deaf and blind to conditions, he knows that any commodity which is uncontrolled will be brought to inflationary and exorbitant prices.

It is the duty of the Government to regulate a business however honest in itself, if it is or may become an instrument of widespread oppression. Is there any doubt that the business of commercial rent has become oppressive?

Now I submit to you for consideration, gentlemen, that whether or not New York is the only city suffering from this evil, you must

nevertheless legislate against it. New York is as much a defense area, is lending as much to the war effort, as any other city or any other State in the Union. The increased cost of munitions and materials of war produced in New York makes them more costly to the Government. The increased cost of production of civilian goods manufactured in New York must necessarily be reflected in higher costs to the consumers in the rest of the country. If there is an earnest desire to control prices to prevent inflation, is it not a governmental Federal duty to prevent any unjustifiable increase in cost? Or is there something holy or untouchable with respect to commercial rentals?

Now, the Senator's bill does not place a ceiling on commercial rents. It merely gives the right to impose a ceiling if the Office of Price Administration deems it necessary. The bill merely supplies the implement for the promulgation of a regulation if the latter be deemed necessary.

You will no doubt hear from the opponents of this bill that store space is not scarce, so do not control commercial rents; that office space is yet available, so do not control commercial rents. They will, however, if pressed—in the light of indisputable facts and in the light of their own national association survey—reluctantly admit that there is something wrong in the midtown area of New York. Well, we are greatly obliged for even that admission.

The enactment of the bill will at least correct that evil. If there be no need to control the rents of stores or offices, the Office of Price Administration can so decide. But if the Administrator finds that one section of a defense area requires action, he needs the authority to regulate rents.

There was no emergency in housing rents in 1942. Congress did not call for evidence such as we are being asked to produce in order to insert into the act the word "housing." It anticipated the emergency. Then it was not a question of whether the condition was local or national. You just knew that the condition would ultimately arise, and your foresight directed you to insert protection against housing shortages. Why shouldn't the same reasoning apply to commercial properties? Even if there be no shortage of space today in commercial properties, you would, nevertheless, have the authority and the obligation, if you please, to use the same foresight and include the word "commercial."

These tenants want to know why one commodity, and only one, goes unceilinged and unrationed. What other commodity is unrationed and uncontrolled in price? And if the realty interests dare say to you that the interest on their mortgages is uncontrolled, let them be answered that when they were in trouble in the State of New York that State granted them a moratorium and froze interest rates. That moratorium is still in effect.

When the other side of this discussion is presented, may I suggest that two questions be asked of them:

First, how do they reconcile their opposition here to the testimony of the executive vice president of the National Association of Real Estate Boards, which was as follows:

> Our attitude summed up in a few words is simply this: We accept the necessity for stabilization of rents. We feel, however, that the operation of this program, involving as it does the control and use of privately owned property, should be made as fair, as just, and as equitable as humanly possible. We believe that tenants and owners alike deserve fair and impartial treatment.



This testimony appears at page 628 of the hearings before the House Committee on Banking and Currency of April 27, 1944.

The second question, and that should be confined to the New York representatives of the realty owners, is this:

Can they give you the name of 1 tenant out of 122,000 loft tenants in the city of New York whose rent was not raised at the expiration of his lease?

I should like to tell you of something that occurred less than a month ago that prompted me to suggest this question. At a hearing of the New York Legislative Committee on Rents, its counsel asked me and two others who appeared there in behalf of the tenants to give him the numbers, the rentals, the expiration dates of leases in more concrete form, because, as he said, there might be some question in the minds of the legislators as to whether or not the condition was as bad as we said it was. This in the face of evidence such as Mr. Platzker has given today—this in the face of the other testimony you will hear today. And so I suggested at that meeting, and I have repeated it here, let those who represent the real estate interests name but one tenant out of the 122,000 tenants whose lease has expired within the past 2 years who has not had his rent increased from 10 percent to 250 percent. They remained silent at that time. I am sure they will have no answer to it here.

And I respectfully suggest that we all ask ourselves why should the commodity known as commercial rent be the only unregulated commodity in the land?

In all earnestness, and with due respect for this honorable body, I accuse the Congress of being negligent. One can forgive an oversight, but 2 years' time is too long to take to correct it.

We have all heard of black markets in rationed commodities and in ceilinged commodities. People who engage in such transactions are subject to penalties, but you have legalized the black market in commercial rents by doing nothing about it.

Do you know that owners and agents alike are asking for cash considerations—not checks—they want no evidence of the passing of that money, but are demanding cash considerations for entering into leases, even where the expressed rental is at an increase of over 100 percent?

These are not fancies of mine. These are facts. Please remember that while we here and those with me can present thousand of cases, there are many more thousands of tenants who fear to speak lest their landlords put them out and rent their space over their heads.

Our mayor's representative has presented the facts. Do you suppose that the mayor, who is anxious to have the city's income meet his large budget, would ask for a ceiling on rents unless there was a need for it? Commissioner Platzker does not represent the tenants alone. The mayor does not speak for tenants alone. He speaks for the landlords as well. And when he, or his representative, tells you that the emergency exists—when the National Association of Real Estate Boards admits that there is a shortage of space in one out of four reporting cities, does it not convince you that a free market does not exist?

I hesitate to make the arguments that must be very apparent to you as to why commercial rents ought to be controlled, and please forgive me if I repeat one or two of them—and again I respectfully submit

them for emphasis only, for I am sure all of you gentlemen are aware of them. Tenants of commercial property in New York City are deprived of the freedom to contract for space because there are no vacancies, and one of the reasons for there being no vacancies is that the Government of the United States, through its agencies, has hired or rented in prosecuting the war, millions of feet of space.

Now, wherever the country has found it necessary to take certain commodities to promote the war effort, it has subjected that commodity to price ceiling or rationing, or actually prevented its use for civilian purposes. There should be no distinction between the use of space as against steel, as against cotton. There is a shortage in cotton; there is a shortage in steel—what must we do to convince the Congress that there is a shortage in rentable space usuable for the production of war materials?

I should like to impress upon you that the rental of commercial space in the city of New York is based upon rentals from February 1 of each year. That was known as the renting season—or at least the few months prior to February 1 have always been known as the renting season of commercial properties, particularly lofts in the city of New York. This year it has been converted into an open season on tenants with the owners in possession of all the single, the double-barreled, and automatic shotguns.

We have but 2 months in which to negotiate our leases. In many cases tenants have been outrented. Tenants whose leases will expire on February 1 have no place to go. Please give us the relief, and soon!

I should like to add that in 1943, August to be exact, a building was sold by one of our large owners for a million dollars. This building is 50 years old. It was originally built as a department store or to house a department store, which failed, and for many years the building was what is known in real estate parlance as a "lemon." And then along came the Government and used it as a hospital during the last war, and then it was converted into lofts. Now, when this new owner in August 1943 bought this building for a million dollars, he invested approximately 300——

Senator HAWKES. Mr. Chairman, I think I would like to go down.

The CHAIRMAN. What is there?

Senator HAWKES. Executive session on Stettinius.

The CHAIRMAN. Well, we are going to have a hard time with all these witnesses.

Senator BUCK. I will come back just as soon as it is over, if I may be excused.

The CHAIRMAN. Suppose we come back, instead of at 2:30, at 2 o'clock; is that all right, gentlemen?

Senator BUCK. Yes.

The CHAIRMAN. We shall recess, then. I am sorry.

Mr. HALPERIN. That is all right. I think the business of the Government comes first.

(Whereupon, at 12:20 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2 p. m., upon the expiration of the recess.



## STATEMENT OF HARRY J. HALPERIN—Resumed

The CHAIRMAN. Are you ready to proceed now, Mr. Halperin?

Mr. HALPERIN. Yes.

The particular building I was going to give you as what appeared to me to be an outstanding example of an owner taking advantage of the emergency—and by emergency I mean absolute lack of space to which a tenant can go if he cannot make a deal with his present landlord for the premises that he presently occupies is in New York.

You have heard Mr. Platzker say he has made a survey of buildings in New York City and that there is less than one-half of one percent of loft space available in the city of New York, so that definitely, freedom for the tenant to negotiate just isn't there, and if he wants to remain in business he has either got to kowtow to the landlord and accept his terms or go out of business, or go out of the State if he is fortunate enough to find a place out of the State.

The CHAIRMAN. He has to think of his customers too.

Mr. HALPERIN. Not only his customers, but his employees. I think incidentally you will find that every representative labor organization in the country favors the passage of this bill because of the hardships that will come to some employee now and particularly post-war. It is really disorganizing those men who are experienced in business and may affect post-war conditions of employment.

I just heard—it is hearsay and I don't know whether it be a fact—that one of the labor conventions, whether it is A. F. of L. or C. I. O.—that is now holding its meetings has passed a resolution asking this committee to recommend the bill and asking Congress to pass the bill.

Senator TAFT. I don't see how it affects labor organizations. If a man is forced out of business and somebody else moves in and employs the same number of people, what is the difference in employment?

Mr. HALPERIN. Mr. Senator, take for instance a building I have in mind which has one tenant who employs approximately a thousand people in a loft. When he was faced with eviction if he didn't agree to pay the rent which the landlord demanded, the landlord used a subterfuge—or his agent did—that he can rerent his space and when I asked him, "Whom have you in mind?" He said, "We will use it for storage purposes."

So that is something which would not require much labor.

Senator TAFT. Or wouldn't pay any rent either.

Mr. HALPERIN. Oh, no. He said he could get as much rent for it even for storage purposes.

Senator TAFT. The other cases we heard there were other people moving in and employing the same number of people. It seemed to me to be just a fight between the landlord and tenant. I don't see the labor question. He might employ more people.

You have a certain amount of space in which work can be done. That is all the space there is. I think roughly speaking the same number of people would be employed one way or the other. I don't see what the labor question has to do with it.

Mr. HALPERIN. If the same type of business remains, but if it is a business that doesn't employ a lot of labor it definitely will reduce

the number of employees in that particular locality. In any event there will be a dislocation. There would be a period requiring an adjustment when one firm has to get out and install its plant in another location, a plant that employs a thousand people, and particularly now with all your regulations regarding the buying of new machinery and new equipment.

It is difficult even to get electric wiring. So that when a man is obliged to move it would definitely throw out of adjustment quite a number of employees.

The CHAIRMAN. Well, suppose it goes to another locality which is some distance away, aren't you going to have a labor problem there? An individual who is settled and doesn't care to move out of town, to some other place, haven't you got that problem involved?

Mr. HALPERIN. It is very apparent that would occur. You would have a dislocation in two places. One in getting new employees if he moved out of the city or out of the State, and he certainly couldn't take those into the State from New York or visa versa, if it occurs in New Jersey.

I understand some of the large cities are having difficulty, but let me come back to this building I mentioned. This building is a 50-year old building and was sold for a million dollars requiring the new owner to pay $300,000 in cash, and a purchase money mortgage for approximately $700,000. At the time the building was sold it reflected a net income to the insurance company that owned it of approximately $55,000, or 5½ percent of the sale price. Immediately upon the passing of title the agent for the new owner came in to this one particular tenant whose lease was about to expire in the following February, who had been paying $42,500 a year, and said to him, "Your rent is $73,000 a year beginning February 1, 1944."

No time for negotiations. "That is what you have to pay or else you will have to move." It so happened in the negotiations for that particular tenant there finally came a letter actually saying, "You are hereby obliged to vacate on February 1, 1944."

So the tenant consented to the demands and signed the lease, I believe, on January 31, 1944, agreeing to pay $73,000 instead of $42,500. That would not have been so terrible except that the landlord said, "We now want a 5-year lease from you," whereas the existing lease was only for 2 years and never had a tenant before been obliged to sign one for more than 3 years. That has been the practice in the building for many, many years.

Well, now, that perhaps may be condoned, but in addition to requiring him to pay an increase of $31,000 per annum, and in addition to requiring the tenant to guarantee payment of that over 5 years, the landlord said, "We will insert a cancelation clause giving the owner the option to dispossess the tenant at the end of 2 years."

So that perchance the traffic would bear it and conditions would remain the same and no relief comes either from the State nor from the United States Government, the landlord then can ask a rent perhaps even of $150,000 regardless of value, because the tenant must either stay and sign the lease or move, and there is no place for him to move to.

Now in the case of another tenant in that building which was the only other tenant whose lease was about to expire, they increased the rent from $44,000 to $81,000. I have the figures and I have computed



the amount of rent which the landlord will receive if the other tenants in the building, as their leases expire, are faced with a proportionate increase. The net income to the owner then, the new owner, will be $205,000 per annum against a cash investment of $300,000, after deducting all carrying charges and interest on the purchase-money mortgage or whatever amortization he is required to make on account of that first mortgage.

You know, gentlemen, that the average owner of commercial property today has a habit in his calculations of figuring amortizations or reductions on principal on his mortgage as expenses. Of course, the Treasury Department does not allow that, but when they tell you how much money they are making on the building, or when you try to sell a building, when an agent proposes a building to a prospective purchaser, they include amortization in expenses and do not add it to net income. That was only possible because of the lack of space brought about by war conditions.

There is no ingenuity on the part of this owner. He has not contributed anything to the war effort. He is merely being permitted to engage in profiteering legitimately, if you please, because of the negative action of the legislature, both here and in the State of New York, and in the other States where the same conditions exist.

Perhaps not as flagrantly, perhaps the landlords are not as bad as they are in New York—those who are bad. Of course, there are some who are not taking advantage of the situation. We do not condemn them all, and unfortunately if this bill should be passed those who are really honorable to some extent may suffer, just as the man who was in business up to the outbreak of this war, many, many years, maybe had his life's earnings invested, when he found he was in a business where he could not continue because his product, or his raw material, was needed for the war effort.

When he asked for relief he was always told by the agencies, "Sorry, there is a war on and if we have to force some people out of business they have just got to go out of business."

So if, when this law is passed—and I am confident it will be—if it does adversely affect some owners, they just must suffer with everybody else to the extent it will hurt them.

Senator TAFT. Mr. Halperin, what worries me about it, the reason I am loathe to do it, is this: Obviously the just way to deal with the situation that you have referred to is to have an arbitration, or something of the kind, or some fixing of the particular case, but this bill doesn't propose that method at all, and I don't think the O. P. A. would undertake it.

This bill proposes that the rents be fixed definitely, every tenant being entitled to remain at that fixed rental whether he doubles his business or makes twice as much money or anything else, at the same rent that existed on a certain arbitrary date, which has no relation necessarily to the actual conditions. I mean, I can think of all sorts of circumstances, for instance that of a gradually raising rent. Are you going to place it on the basis of the rent he actually paid or increasing the rents stated in a lease?

It seems to me if you get a situation like this that we ought to have some better method than just to try to freeze everything as of a certain date. That seems to me in a way just as unjust as the condition that already exists.

Now, take this man, the one that bought this million-dollar building, and supposing that insurance company that owned it—probably it was $2,000,000 originally and probably they had to foreclose on a mortgage—supposing the fellow that owned that $2,000,000 building had stuck with it all the way through and he made $55,000 net. That would have been only 2 percent on his money. Certainly, he is going to be frozen just like this other fellow that bought it at a million dollars, at 2 percent on his money, instead of the fellow that gets 20 percent on his money.

Isn't there some—can't the thing be dealt with more specially in some sort of an arbitration requirement or provision for that kind of an affair, at least in large matters like this? It would justify the expense of dealing with every individual case on an individual basis.

Mr. HALPERIN. Well, I think if you left it to arbitration it would be pretty difficult to get any relief. There are so many recalcitrant owners——

Senator TAFT. I was thinking of a compulsory arbitration. I mean a law which said you could fix a price after certain hearings on the basis of the justice of the particular case, rather than on the basis of what the rent was on a certain date. That freeze basis is what I don't like about rent regulation.

Mr. HALPERIN. There are many men sitting here who will testify here, with whom I have pleaded. They represent the realty interests. "Why don't you join with us in a recommendation to the legislature of the State of New York"—to do exactly what you are suggesting; to fix a date, with the additional right to the landlord to go into court and get a reasonable rent if the date selected and the amount he was receiving on that date was insufficient and get what was to be considered reasonable.

Do you know what they say in New York? They say, "This is a Federal matter." Before every committee in New York State they urge and protest, gentlemen, this is a Federal matter. Even the Governor of the State at one time—I don't know whether he has changed his mind—wrote a letter saying that he couldn't do anything because it was a Federal matter.

When they come here, they have always urged, and will urge again, "Gentlemen, don't legislate here. This is a State matter." And they have succeeded in both places. At a hearing not long ago before what is known as the New York State legislative committee on rent in New York City before the chairman of that committee, Mr. Stevens turned toward several of the real-estate representatives and said, "Gentlemen, if we decide to recommend a bill, what would you suggest go into that bill so that it will be mutually fair?" And the answer was unanimous from all of them, "We are unalterably opposed to any legislation," and they would not reveal what they would agree upon.

Senator TAFT. I don't care much what they want. I am suggesting two points. One, that the method proposed, which has nothing to do with State or Federal—the method of taking a certain date—that is modeling it on housing control—and giving practically no opportunity to vary that date, no matter what the justice of the case is, as against a more flexible system of control. That is one question.

The other question is the one you raised as between Federal and local government. I think both governments have an interest, and I have the feeling that the Price Control Act on housing takes the position



that the first responsibility is on the State; and if the State doesn't do it, and if it is shown to have a national inflationary effect, then we have the job to do it. I think we may have the job to do it. I don't say we haven't.

I would rather like to see the State try it first, that is all.

Mr. HALPERIN. It so happens, I think, Senator, with regard to the regulations that O. P. A. is obliged to promulgate and enforce, they have had the same difficulty. There must be some people who will suffer, and I think the only thing you can do effectively is to apply to this particular commodity the same rules and regulations and laws that you have applied to every other commodity.

Senator TAFT. No; that is not true. Under the price business, everything conforms to a price level. You don't have the question of each individual thing getting just the same price it had in general. Price control is based on the price being so much for everybody and being carried through on that basis.

On the other hand, in rent, under the Price Control Administration the idea is the individual price, what he charged on a certain date. There has been no attempt to level it out at all. We had a terrific protest here and long consideration of the inequities in housing control. We all practically concluded you couldn't do it any other way, but I am not sure you couldn't do it with rents in a different way, a way which would give more equity to the individual case.

Mr. HALPERIN. The same conditions apply to the renting of houses as apply to the renting of commercial property.

Senator TAFT. Oh, no. There are millions and millions of homes where there are only hundreds of thousands of business houses.

Mr. HALPERIN. I am informed in New York City the number is 122,000.

Senator TAFT. That may be, but there are only 2,000,000 retail businesses in the whole country. There are 20,000,000 homes. So it is 10 times as difficult to do it on an individual basis.

Mr. HALPERIN. Senator, let me say this to you: so far as commercial renting is concerned, leases on an average expire in 3 years, on an average. There may be instances where there are long-term leases. Usually where there are long-term leases they are on a percentage basis and you don't have any trouble there.

Senator TAFT. What would you think, incidentally, of a lease—retail lease—that provided for 5 percent of the gross receipts? Would you let that landlord get more as the gross receipts increased, or would you try to hold him to the same rent he is getting at a certain time?

Mr. HALPERIN. If his rent was fixed on a percentage basis he is entitled to that. You won't get a complaint from any owner on that basis.

Senator TAFT. If we were to do that, we would have to write some special laws. If we are going to try to freeze it on the terms of the particular lease, percentage or otherwise, we are going to have to make some special provision for that.

Mr. HALPERIN. I don't think that will be necessary because the Office of Price Administration found there were differentials in some cases where the landlord had been furnishing painting and other services. Whether or not the law itself gave them specific instructions, they have handled it in a pretty fair manner. So that you would have the same thing. The Office of Price Administration

would determine that where the measure of the rental in 1944 in a retail establishment was based on a percentage basis——

Senator TAFT. On the other hand, if it was a flat rent and the tenant was making four times the profit, then the landlord couldn't get any increase.

Mr. HALPERIN. Well, there is a good reason for it where the landlord, in the first place, was willing to gamble with the tenant and have his rent go down if business decreased. The other landlord was not willing to do that. The other landlord wanted a fixed rental whether business went down or up.

Senator TAFT. The fellow who is on a percentage basis and his lease runs out, he gets the advantage of the increased volume.

Mr. HALPERIN. There isn't any doubt about it that this war has brought about a great deal of interference with contracts and the right to contract. In some instances, Senator, the landlord who had anticipated or contemplated an increase at the time the lease would expire will have to suffer as every citizen in the country must suffer if it interferes with the proper conduct of the war effort.

Now, the only reason the landlord whose tenant's lease expires now goes in and asks for a higher rent, is not because the tenant's business has increased——

Senator TAFT. It may or may not be. I don't see how you can say that.

Mr. HALPERIN. He doesn't need it, because in many instances, in fact, in all the instances I know of, the landlord has not gone to the tenant—in this case I told you about the agent didn't come in and say, "Has your business increased? Has your business decreased?" He knew there was no place else for the man to go. The war had brought about an emergency and he just dictated the amount of rent.

Senator TAFT. That is not necessarily true throughout the United States and it may not be true there.

Mr. HALPERIN. I agree with you.

Senator TAFT. As a rule the landlord keeps pretty careful track of the volume of business of his tenant. I am talking more about retail businesses, rather than loft contracts. It has been shown that that doesn't have a very close relation.

Mr. HALPERIN. That is true.

Senator TAFT. But nearly every landlord keeps pretty close track of the volume of any retail business which occupies his property. I am just suggesting there ought to be more room for individual adjustment than there is in housing control.

Mr. HALPERIN. I don't know of any right at this moment, but if any thought comes to my mind where you could do that, I will be pleased to call it to your attention, but I really don't know of any right now. I don't think I will have any thought on it unless these people themselves would join with us and get the State to enact a law similar to the law we had in 1920, and, incidentally, that was passed after the last war. Maybe that ought to be a good example or an indication that this may not last for just a short period of time.

The CHAIRMAN. I know something about that law.

Mr. HALPERIN. You do, Senator—I know about that. That was passed following the last war because things had become intolerable in regard to housing. The war was over 3 years. I think it was in 1921 when we had those rent laws enacted in New York State.



The people whom you are seeking to help are the very people that won't join with us to do that.

Senator TAFT. That doesn't make any difference. We are trying to determine the best method of rent control, whether we can avoid such injustice that it removes more or less the arguments against it.

Mr. HALPERIN. I will say this: that the greater injustice, if it is just a question of justice, will be to the tenants who are entitled to the same relief you gave all other citizens with regard to the use of commodities and prices, but if it is a question of justice, you are going to weigh the balance and see which side ought to get some help. Maybe you will find there are more tenants who require relief than there are landlords, and I will tell you why.

Most leases—most leases for commercial property—are not long term leases and so since the time that the landlords have enjoyed what we call prosperity or the chance to raise their rent, we have had almost 3 years go by. They have raised their rents. They have received increases. It is only a small percentage of the owners of commercial property throughout the country in my opinion who have not already raised their rents.

Senator TAFT. That is not true in Cincinnati. I don't think anybody has raised commercial rents in Cincinnati, that I know of. At least there are a very limited number both in stores and office buildings.

Mr. HALPERIN. Senator, there are men here today—the American Small Business Congress has received complaints from your city. I don't think those tenants who have been injured are very articulate.

Senator TAFT. My general information of real-estate people there is that rents have not gone up to any great extent.

Mr. HALPERIN. If you make the same inquiries of the tenants that you have of the real-estate men, I think you will find a different answer. I don't think there is any place in this country where a lease has expired where the rent was not increased.

Senator TAFT. Are you making that statement as to office buildings?

Mr. HALPERIN. As to office buildings in large cities, I am not depending on my own information. I have just read to you what the memorandum says; that office buildings are on the upswing.

Senator TAFT. They said one-third of the cities, or something like that.

Mr. HALPERIN. Well, Senator, if one-third——

Senator TAFT. That wouldn't disprove my statement.

Mr. HALPERIN. If their evidence shows a scarcity in one-fourth of 377 cities that they have investigated—and they are careful not to be too anxious to show that the real-estate people are earning too much—don't you think that indicates there is a serious problem?

Senator TAFT. No.

Mr. HALPERIN. One-third of the cities?

Senator TAFT. No; I don't think so. I mean, a slight increase. After all, what if they have gone up 50 percent? Many prices have gone up 50 percent. I don't know why there shouldn't be an increase in rents. You have to prove something more than that. You have to prove a situation such as you have in New York in the loft situation. I think you will have difficulty in proving most of the places outside of New York.

Mr. HALPERIN. My point is it is wrong to expect us to come in and prove the existence of an emergency, whereas none of the other people

were asked to do that, but in New York City when I asked all the representatives of the realty owners to name one tenant out of 122,000 tenants in New York whose lease had expired whose rent had not been increased, they remained mute.

There was no answer, and I, with all due respect, presume to suggest to you gentlemen that when they testify here and suggest that maybe this is not national or it is not as bad as we have presented it to you, ask them to name you one tenant in New York City or in any other part of the country where a scarcity exists, whose lease has expired within the past 2 years, who has not had his rent increased from 10 to 300 percent. [Laughter.]

Well, now they laugh. Senator, you heard Mr. Platzker say——

Senator TAFT. I can produce a hundred cases in Cincinnati, both commercial and office buildings, in the last 3 months——

Mr. HALPERIN. Where the lease has expired and there has not been an increase?

Senator TAFT. Yes.

Mr. HALPERIN. Senator, I would like to learn the name of those tenants.

Senator TAFT. I will be glad to write them for you.

Mr. HALPERIN. Senator, these people are laughing when I say 300 percent. Didn't you hear Mr. Platzker testify this morning in regard to a hat concern that had gone up from something like $6,000 to $32,000?

Senator TAFT. I am not disputing your situation in the loft industry. You are talking about other States, as to how general the situation was. You have made a case in the loft situation. The only question relating to your loft buildings is first as to whether the State should do it and second, how much effect loft rents have on general inflation. Have you got anything to prove that? I mean what percentage of the gross output of hats is affected by the rent? Is it anything that makes any difference or isn't it just absorbed? The question of whether the manufacturer makes the profit or the landlord, is one in which we are not interested.

We are only interested in the general effect on inflation. I think you can prove more effect on inflation in retail rent than you can in the case of loft rents.

Mr. HALPERIN. Don't you think the manufacturer who has had his rent increased is entitled to ask for an increase in the price of his article?

Senator TAFT. He may be entitled to it, but he doesn't get it. That is the position of the O. P. A.

Mr. HALPERIN. Those are the manufacturers who come to you for relief for being obliged to pay more rent——

Senator TAFT. That is right, but I am asking you if you have any figures to show what percentage of the gross output of hats or clothes, or anything—how much the cost is increased by these increases in loft rents. Is that a material factor in manufacturing, or not?

Mr. HALPERIN. That is quite a material factor today. I don't know what percentage you would consider a material factor. If you permit these people to keep on going the way they are going, is there any doubt



in your mind it must ultimately become a material factor? All we are asking you to legislate now is to prevent an unjust increase in these rents by allowing the price administrator to go in and tackle the emergency if he finds the emergency exists.

Senator TAFT. I am not so much concerned for the future. If we deal with the immediate question we hope within a year there won't be the problem there is today, and this is, after all, an extraordinary exercise of Federal jurisdiction, to go out and regulate prices and controls. We hope that a year from now we will be letting up on price control, not increasing it.

It is not the future I am so much concerned about, but I would like you, if you can, to present some study of the effect of increased rent on prices or cost of loft manufacturers.

Mr. HALPERIN. I wish we had the ability and the means, the financial means, to make a survey such as you suggest we make. We do not have it, because as I have suggested to you, the tenants have never been organized. They do not enjoy the representation of these other organizations such as the owners do. That is very difficult, but one thing that it would bring about, our getting a survey, would be more delay, and the average lease expires on February 1 in each year. February 1, 1945 is the next rental date. Ordinarily, December and January are the renting seasons for commercial properties.

Senator TAFT. Well, I suggest you take your hat case and call up Mr. Marvin, or whatever his name is, and ask him what his total volume is, or the business he does in that place—I could easily find out by asking three or four people what percentage—how much that increase affects the total output cost.

Mr. HALPERIN. We will do that. I think Mr. Platzker can do that. Of course, if you will take that one example and not say later on we have only one case, that will be very fine.

Senator TAFT. Well, I would like three or four cases. The first one Mr. Platzker gave us, Rosenhirsch?

Mr. HALPERIN. We will do that, Senator. I thought you wanted a national survey.

Senator TAFT. No, no. I just want to get an idea of what these different companies—the Rosenhirsch Co. and two or three others—what difference $3,000 a year makes to them.

Mr. HALPERIN. You are entitled to know that. I think Mr. Platzker said he would supply that to you.

Senator TAFT. All right. I will quit, Mr. Chairman.

Mr. HALPERIN. I think that concludes my statement, Senator, but I would like to present several of the representatives of the associations who will just take a few minutes——

The CHAIRMAN. Well, I have heard about that few minutes before. We have a regular schedule here of witnesses we have got to hear.

Mr. HALPERIN. Mr. Schwab consented to give some of his time to them.

The CHAIRMAN. All right. Limit it as much as you can.

Mr. HALPERIN. Yes.

I would like to present Mr. Agree, executive director of the National Manufacturers Dress Association, Inc.

**STATEMENT OF ISADORE A. AGREE, EXECUTIVE DIRECTOR, NATIONAL DRESS MANUFACTURERS ASSOCIATION, INC., NEW YORK, N. Y.**

Mr. AGREE. I appear here, gentlemen, on behalf of 300 manufacturers manufacturing ladies' dresses. They manufacture dresses in price ranges from as low as $2.50 apiece, to up in the higher brackets.

Our membership is a cross section of the entire dress industry. In the aggregate I would say they employ approximately about 30,000 workers. I need not tell you our industry is governed by price regulation, as is every other industry in the country. I appear on behalf of the membership of our organization to urge enactment of this legislation in order to curb uncontrolled profiteering on commercial rents, and to save thousands of small businesses from ultimate bankruptcy as a result of commitments and long-term leases at exorbitant rentals, now thrust upon them by unscrupulous and chiseling landlords.

We, no less than the owners of business space and people in every other enterprise would love to operate without any government restrictions, but we recognize that we are at war and that under the circumstances Government restrictions are necessary in order that we may prosecute our war more effectively to ultimate victory.

We cannot somehow or other reconcile a condition where all of this country's business, large and small, manufacturing and distributive, including residential rents have been subjected to rigid controls while the owners of commercial properties are free to profiteer to their heart's content.

In fairness, it must be said, as it has been said by Commissioner Platzker earlier in the day, that there are some owners who are not taking undue advantage under these conditions. However, the number of those owners that do take advantage is increasing, and so is the extent of their avarice. As will be seen by an examination of the cases I will leave here with this committee, the increases in rentals commenced at about 1942. Rentals that have been paid for that year, have gradually increased year after year to a point where now the leases that have just been forced upon them for the year 1945 in some instances for as many as 5 years, show increases of rentals as high in some instances as 100 or more percent.

Space in our industry has customarily been leased on a yearly basis; seldom has any tenant signed a lease for more than 1 or 2 years. Perhaps this was due to the uncertain and hazardous nature of our business. It is a fashion business and there is an abnormal rate of turnover of firms in it during the year. We have had in normal times a rate of business mortality that ran up as high as 30 percent annually.

Now, leases are being negotiated for 5 years in order to extend these inflated rentals, that are presently contracted for, for long terms.

The CHAIRMAN. Is that new?

Mr. AGREE. That is very definitely new. In fact, in what is known as the garment area in New York City for a time there appeared to exist a conspiracy among the owners of space not to accept leases for less than 5-year terms, and not until the Department of Justice got wind of it and stepped into the picture and obtained promises from the landlords operating in that area to cease in this restraining conduct, was there any relief.



We urge the enactment of this bill so that the O. P. A. may have the power to prevent rent gouging of business space as it does in residences and all other commodities and services. I take note of the question that was raised by Senator Taft——

Senator TAFT. I was going to ask it again. I thought perhaps you would know about the percentage.

Mr. AGREE. I will answer that, too.

With respect to what will happen to the landlord who may be caught with a low level of income because of circumstances beyond his control, and who had not advanced his rent—what will happen to him under the circumstances of a rent freeze?

I would like to report to you as to what happened to our industry when the O. P. A. stepped in and fixed a ceiling on our commodities. In our industry the manufacturers manufacture a style commodity, and the cost of different styles in the same price line vary. Some were of a lower cost and others of a higher cost, but there was an average produced there.

There was no telling as to what a retailer will prefer when he comes in and looks at samples. He may have preferred the high costing garments and ordered those, or he may have preferred the low costing garments, and ordered those, but in the long run the manufacturer produced an average profit during the season. When the O. P. A. directed us to fix our margins on the basis of goods delivered during March 1942, there were many manufacturers who were caught with goods delivered during that month that showed the lowest margin.

When we protested to O. P. A. that there would be many hardships cases under this regulation the answer we received was as follows: They said, "Well, now look, we are taking a base period during which you were operating under no control whatsoever. It is you or your firms that have determined your margins for that month. We are accepting that margin as the margin on which you are to operate in the future."

Of course, they did more than that. They rolled us back to the extent of 10 percent of our gross margins. Subsequent to that we had such things happen to us as in the midst of a labor contract where we had fixed wage rates which were to run for another year or year and a half, we had the National War Labor Board tell us, "You must give your workers a wage increase effective immediately."

We had the O. P. A. tell us, "You have to absorb that wage increase. You cannot include it as an item of cost," although it is an item of cost just the same as the price of the goods we put into our commodities. These are the things the O. P. A. has done and we must assume it has administered its regulations in our respect and with respect to other industries by virtue of the powers vested in it by the Congress of this country.

Somewhere I believe there are provisions in the O. P. A. that apply to hardship cases. I respectfully urge that it may be possible that were a freeze imposed upon the owners of commercial space there might be some provision made for the relief of hardship cases.

Senator TAFT. Well, I would want to make more provision than is made for residential hardship cases because there isn't much consideration of hardship cases there.

Mr. AGREE. Now, of course, as to the percentage of margin, as to what effect it would have, as far as the consumer is concerned——

Senator TAFT. Let me ask you this: I will put it in a little different way. What do you consider in your business a proper percentage to pay for rent, or isn't there any standard?

Mr. AGREE. Well, frankly, the nature of our business is such, Senator, that it really depends on the volume of business and the particular trend during a given year. The average I would say for rent would amount to about 1 percent of the volume of business. I say that would be about the average. Where a man's rent is doubled, you can obviously see what that does to him.

Now, more than that, I would like to cite to you, gentlemen, figures that have been compiled by the Office of Price Administration during the year 1943 for the year 1942, as to profit margins enjoyed by manufacturers in our industry. They run from as low as 1½ percent or thereabouts—of course, there are some that produced no profit at all—but in the lower-priced lines they run from low as 1½ percent on their volume to 6 percent in higher priced lines. We have had a considerable issue with the O. P. A. on that subject. However, the fact of the matter is that the percentage of increase of rent is of vital consideration.

The CHAIRMAN. Gentlemen, we will have to stop. We have to go over and vote, but we will come back just as quick as we can and continue. I think it should take about a half hour.

(Thereupon there was a recess, at the conclusion of which the proceedings were resumed as follows:)

The CHAIRMAN. Now, Mr. Agree, will you proceed?

Mr. AGREE. Well, I believe that there isn't much more I have to add, except I would like to read a few of these cases to indicate to you how the increases in rentals have run from 1942 to 1943 and 1944. How progressively year after year these same landlords have increased the rentals for the same spaces.

I will cite maybe a half dozen cases, and I believe that will be sufficient, although I have a larger number here which I expect to leave for the record.

Here is a building at 463 Seventh Avenue. The agent—I am not sure about the ownership—is Spear & Co. located at 225 Fifth Avenue. Tenant No. 1—I have the names of the tenants that will be supplied on request. I have listed them by number. Tenant No. 1 in 1942 paid a rental of $6,541. The jump from 1942 is from $6,541 to $8,291.

The CHAIRMAN. Were the others 1-year leases?

Mr. AGREE. The others were 1-year leases, from year to year.

The CHAIRMAN. Yes.

Mr. AGREE. In 1945 a 3-year lease was obtained by the landlord at a rental of $8,291. The jump from 1942 is from $6,541 to $8,291, a 3-year lease, and in addition to that this tenant had to pay a brokerage commission for the 3 years' time of the lease of $373.13.

Tenant No. 2 in the same building had a rental in 1942 of $5,539; in 1943 it was $6,039; 1944, $7,289; in 1945, $9,049; an increase from $5,500 in '42 to $9,049, and this last year was a lease for 3 years.

Tenant No. 3 had a rental in 1942 of $8.400; same for 1943; 1944, it has been increased to $9,500; 1945, to $11,000, a 3-year lease.

Tenant No. 4—this is all in the same building—$3,036 in 1942; $3,336 in 1943; $4,036 in 1944; $5,036 with a 3-year lease in 1945.



Now, there are yearly leases from year to year up to 1944; in 1944 a 3-year lease has been exacted with an additional increase in rental.

The CHAIRMAN. Has it usually been a yearly lease?

Mr. AGREE. Senator, as I pointed out before, in this industry it has been practically true in all cases.

The CHAIRMAN. Until now?

Mr. AGREE. That is correct.

Tenant No. 5 in 1942 paid $6,451, same for 1943, and in 1944 the rental was boosted to $7,291. In 1945 a 2-year lease has been negotiated for $8,791.

The over-all increase for these five tenants in the building is an average of 40 percent.

Here is a building at 462 Seventh Avenue. It is owned by the S. I. K. Corporation. The tenant here had a lease in 1942 for $5,500; it was raised in 1943 to $6,000; same for 1944; a new lease has been negotiated for 2 years beginning 1945 at $7,500; a jump of $2,000, from $5,500 to $7,500.

Another tenant apparently moved into the premises in 1943, paid $4,250 for space. In 1944 it was raised to $5,000; 1945, $6,500.

Here is a tenant who paid $9,000 in 1942 and '43, was raised to $10,250 in 1944, and $12,000 in 1945. The same tenant occupies another space in the building for which he paid $2,400 in 1943; it was boosted to $3,500 in 1944; and $4,500 with a 2-year lease in 1945, a boost of close to 100 perecnt.

The CHAIRMAN. Two-year lease?

Mr. AGREE. Two years.

The CHAIRMAN. Two years.

Mr. AGREE. A boost from $2,400 in 1943, to $4,500 in 1945.

Now, I do not care to continue reading; I will submit the whole batch. I have here a record of 79 tenants, each page is a report of a building. I would like to say that there are some instances here where the increases of rental haven't been as flagrant. I included those amongst these so as to indicate that it is not a specially prepared proposition.

The CHAIRMAN. You are sure of the record, of course, aren't you?

Mr. AGREE. Definitely. We have the record, the original records in our possession. I have them here in Washington with me, but the tenants requested that we do not mention their names here.

The CHAIRMAN. Yes.

Mr. AGREE. If it becomes necessary, we will submit the names to the committee. Thank you.

The CHAIRMAN. Of course, the other members of the committee may have the names if they want them?

Mr. AGREE. Definitely.

The CHAIRMAN. Very well. Thank you very much.

Any questions, Senators?

(No response.)

(Mr. Agree withdrew from the committee table).

Mr. HALPERIN. May I, Senator, present the next one?

The CHAIRMAN. Yes.

Mr. HALPERIN. Mr. Max Zuckerman. He is the executive director of the United Infants & Children's Wear Association.

## STATEMENT OF MAX H. ZUCKERMAN, EXECUTIVE DIRECTOR, UNITED INFANTS' AND CHILDREN'S WEAR ASSOCIATION, NEW YORK CITY

Mr. ZUCKERMAN. My name is Max H. Zuckerman, executive secretary of the United Infants & Children's Wear Association, of New York City.

This association is a national organization that represents 300 manufacturers of infants' and children's wear in the United States. We make infants' dresses for the new-born baby, toddler dresses, girls' dresses, children's dresses. We manufacture coats, underwear, diapers, everything for the infant right up to the girl of 14 years of age. In the city of New York we operate about 230 plants with an employee capacity of 12,000. We also manufacture in other communities of the United States.

Now, with respect to rents, I would first like to tell you how we stand insofar as this rent situation is in the city of New York. We did not go out to solicit amongst our members whether or not they had any complaints to file. We just simply waited to see what complaints would come in. Now, I have made a tabulation of the complaints that we did receive.

We have received 31 complaints. I won't analyze each one of them for you. I will submit this tabulation for your record, and I am sure that a study of it will prove most interesting, and the combined statistics are very interesting.

These 31 employers or members employ 1,390 employees in the city of New York. In 1942 their combined rental was $149,450; in 1943, $157,300; in 1944, $209,675; and the new rental for 1945 is $293,600.

Now, breaking that down percentagewise, Senator Wagner, the rent increase of 1943 over 1942 was 5.2 percent. The rent increase of 1944 over '42 was 40.3 percent. The rent increase for the year 1945 as against '42 will be 96.4 percent. It will be very interesting to note from these figures that the rent increase for 1945 over '44 was 40 percent.

Now, our association takes this view——

The CHAIRMAN. Are they yearly leases?

Mr. ZUCKERMAN. These are all yearly leases.

The CHAIRMAN. Yes.

Mr. ZUCKERMAN. All yearly leases. In some cases they were 2-year leases, that is, a lease for 2 years, but generally in our industry a lease is written for 1 year. It is not a long-term lease industry.

I was a member of the mayor's loft rent mediation board. I was a representative of the tenants together with Mr. Marmolstein, of the United Better Dress Contractors Association, who likewise was appointed by Mayor LaGuardia to serve on this loft rent mediation board. I heard Senator Taft say that in his opinion something should be done in the nature of arbitration. I think an examination—

Pardon me, Senator Taft; I didn't see you come in.

The CHAIRMAN. Well, he went over on the left side.

Mr. ZUCKERMAN. I think that an examination——

Senator TAFT. When I said "arbitration," I didn't mean—I really meant a Government-directed judgment. I didn't really mean private arbitration without any Government control. I was referring to a



system under which each case would be dealt with on the merits of the case, rather than a freeze. That is what I was talking about there.

Mr. ZUCKERMAN. Well, the reason why I am mentioning it, Senator, is that I feel quite certain if you knew the history of the mayor's board in its relation to arbitration you might not probably feel that arbitration would solve the problem. The loft rent mediation board——

Senator TAFT. Well, I am withdrawing my remarks about arbitration. I didn't mean arbitration. I meant a Government consideration in each case as an arbitration board might consider it.

Mr. ZUCKERMAN. I think for the record, though, Senator Taft, it might be wise if I gave you the experience.

Senator TAFT. Surely.

Mr. ZUCKERMAN. We were a mediation board. The mayor said that he had no power to appoint a board that would compel a landlord or a tenant to appear before it and compel arbitration. All we could do was to mediate, which meant we could suggest. Now, bear in mind that the loft rent mediation board consisted of six representatives, four of whom were landlord representatives, two were tenant representatives, so consequently you can see that insofar as the landlords were concerned they had a two-thirds vote as against a one-third vote.

Of the first 300 cases that were heard, or summoned, rather, it might interest you to know that over 150 landlords refused to appear before this board to give the board an opportunity to air the grievances and submit a recommendation that might be fair. It might also interest you to know that of the first 350 cases that were actually heard by the board an analysis of what the loft mediation board recommended insofar as the increases are concerned were these—in no cases—rather, in one case we recommended an increase of no percent; in 8, from 1 to 10 percent; in 11, from 11 to 15 percent; in 35, from 16 to 20 percent; in 40, from 21 to 25 percent; in 24, from 26 to 30 percent; in 55, from 31 to 35 percent; in 34, from 36 to 40 percent; in 21, from 41 to 45 percent.

Going down the line, you will notice that as we approached the 50 percent mark we increased in the number of cases where we made recommendations, and as we passed the 50 percent mark we decreased. There were four cases where we recommended a hundred percent, and six cases where we recommended over a hundred percent.

Now, the reason I call these figures to your attention, is the fact that I think this is certainly proof positive of the fact that arbitration or mediation, call it whatever you will—they are just sisters under the skin—that consideration is given to the things that you mention: The changing circumstances, that a landlord may have rented his premises under distress rentals, that he is entitled to consideration. We, as the tenant's representative, felt that that was something that must be considered.

Yet, on the other hand, when this matter came up before the New York State Assembly on a bill that had been introduced by Assemblyman Steingut, which permitted an increase of rent over the March 1, 1943, level up to 15 percent, the landlord appeared there and opposed not only that, but opposed even a counteroffer that we made, that New York State set up an arbitration machinery to compel both the landlord and the tenant to appear in aggrieved cases so that a

fair decision might be made. We have been bandied around by these landlord interests.

Senator TAFT. Well, you seem to me to prove my case. I mean you are proving my case.

Mr. ZUCKERMAN. On the contrary, I am not proving your case, Senator. I think we are offering a sugar-coated castor oil pill to people who won't take it.

Senator TAFT. I don't care anything about representatives; that does not interest us at all. You are suggesting that to be just there should be an increase in different degrees, in some cases and not in other cases, and I am saying that the measure you are proposing here does not permit that. It freezes everything absolutely, and that is why I was suggesting the control. Well, I guess what you have suggested just now was suggested to the New York Legislature, one in which there might be a compulsory arbitration of some sort dealing with the merits of each individual case. I don't care whether the landlord is against them in New York or against them here. I am considering the merits of the proposition as against the idea of freezing everything the 1st of January 1944. That is all.

Mr. ZUCKERMAN. Senator, no man who represents a trade association in New York or elsewhere would oppose arbitration as the means of settling any dispute. We all have favored and do now favor arbitration, and I wouldn't be worthy of the name of the association that I represent, and have so for 25 years, if I could sit here and say to you, "I am not in favor of arbitration," but I say to you, Senator, that there is no way—and these landlord interests are right—there is no way of compelling arbitration that would prove effective and satisfactory; and for that reason, since that remedy is not available to us, the only remedy that is available to us is a remedy that puts rent in the same position as it does our materials, our labor, our findings, and everything else that goes into the manufacture of garments. Since no other remedy exists, that remedy must be given to us.

Senator, let me say——

Senator TAFT. I do not admit the other remedy doesn't exist, if they enact it into law. We can enact that into law just as well as we can enact a freeze into law, I suppose.

Mr. ZUCKERMAN. Well, the answer to that, Senator, is, as a lawyer I say I know of no way of compelling a person to arbitrate unless he agrees to it.

Senator TAFT. Oh, yes. I mean we can consider each individual case; we can have a board of some sore to determine that and make the compliance with it compulsory, surely.

Mr. ZUCKERMAN. But if you can——

Senator TAFT. It isn't arbitration any more. That is why I withdrew that. I regret that I mentioned arbitration.

Mr. ZUCKERMAN. I see.

Senator TAFT. That is true; compulsory arbitration is really not arbitration; it is Government control.

Mr. ZUCKERMAN. There is only one thing further I want to say to you, because I don't want to repeat what has been said. There is only one further thing, and that is this: It appears to me that all of the elements that required the enactment of the Emergency Price Control Act, from which the O. P. A. seeks and gets its authority, exist insofar as rents are concerned. First, there is a definite shortage of space, in not only the city of New York but in every community where our type of goods is manufactured. Secondly, there is a labor shortage. Thirdly, we are under union contracts which prevent us from the freedom of moving to an extent that will permit us, say, to move from New York to Pittsburgh if Pittsburgh were found to be an area in which loft space were available. Our union contracts will not permit that.



Next, we have the situation where if we were able to find loft space we could not get the parts nor could we get the permission of the War Production Board therefor, nor could we satisfactorily move without disrupting our business to an extent where we couldn't possibly set up again.

And, finally, there is the time element. Insofar as the industry that I represent is concerned, as you know, we have been placed by the Office of Civilian Requirements and the War Manpower Commission on the lists of essential civilian activities that considers us an essential producing industry in the sense that our product is critically needed by the consuming public. Under those circumstances we should disrupt the continuous flow of our product which, as it is, is scarce as far as consumers are concerned, by any maneuver whereby we would give up one loft if another loft were available.

Since all of those elements do exist, I suggest, gentlemen, that this is a matter which properly comes within the province of the Emergency Price Control Act, and some method of legislation should be set up whereby the arbitrary increases which are foisted on us by landlords are stopped.

Senator BUTLER. May I have just one question?

Mr. ZUCKERMAN. Surely.

Senator BUTLER. And he can supply this figure later. He probably doesn't have it at the time.

You represent 230 plants. You spoke of 31, a particular number in the group.

Mr. ZUCKERMAN. That is right.

Senator BUTLER. You appear to have considerable detail with reference to the total rental charge. You show the percent increase for '42, '43, '44, and '45. Now, I would like to have, if you can, added to the record what percent of the gross sales is represented by their charge for rental.

Mr. ZUCKERMAN. If I were to average it, Senator—because in each case depending on the price of goods a man makes and his method of operation—I would say that rent as to sales represents about 1 percent.

Senator BUTLER. That is all.

Mr. ZUKERMAN. Any further questions?

The CHAIRMAN. Any other questions of this gentleman?

(No response.)

Thank you very much.

(Mr. Zuckerman withdrew from the committee table.)

The CHAIRMAN. Have you another witness?

Mr. HALPERIN. I have several others. This man is from New Jersey, Senator: Mr. Samuel Sutro, of the Greater Clothing Contractors Association, who will tell you that in New Jersey the conditions exist as they do in New York.

65560—44——5

## STATEMENT OF SAMUEL SUTRO, REPRESENTING GREATER CLOTHING CONTRACTORS ASSOCIATION

Mr. SUTRO. I will just take a minute of your time. My name is Samuel Sutro. I represent the Greater Clothing Contractors Association. I would like to make just——

The CHAIRMAN. Just a moment. The Senator from New Jersey (Senator Hawkes).

Mr. SUTRO. I would like to make one point. I am from New York, but the association I represent has about 325 members. About a hundred of them are in New Jersey, about 35 in Newark and the surrounding area.

Senator TAFT. Where?

Mr. SUTRO. In Newark. I wouldn't have been here today except that I got a call from a Newark contractor who is engaged exclusively in the manufacture of apparel for the armed forces. His rent is increased—being increased by 100 percent. This individual operates three plants in the city of Newark. He went to the contracting officer today, and I was to accompany him there. We are asking for a repricing of the garment. The garment involved is the so-called field jacket, which is being demanded in larger and larger quantities by the armed forces. The rent in the case is a decided factor in the request for repricing of this garment.

Now, that is one shop, and there is another one which is in exactly the same position. In other words, the critical situation which we have had in New York for the past 2 years is now going into the Newark area. I would say that was a recent development. The shortage we find amongst our 35 members is as bad there as it is in New York City. Our office has conducted a survey which is not completed as yet and I have the original questionnaires. I would like to briefly summarize the results of these questionnaires.

Seventeen members are paying increases of 20 percent; twenty-two members, 40 percent. These are approximations. Twenty-six——

Senator HAWKES. May I interrupt? As related to what time? As related to last year, you mean?

Mr. SUTRO. That is up to this year, not including 1945, and I will come to that in just a moment.

Senator HAWKES. Yes.

Mr. SUTRO. Twenty-six, 60 percent; fifteen, 80 percent; thirteen, 100 percent; seven, 120 percent; one, 140 percent; one, 160 percent; and two, 220 percent.

I think that these figures have a significance, and perhaps the increases that have already been imposed upon these contractors may be an advantage because in our summary we find that about one third of those reporting—and this represents about a hundred reporting members—about one-third of those did not report to us what the proposed increase would be for the year 1945. I called a few of them to find out why. It seems that a new technique may be developing, and that is that some of the landlords in the loft building area are waiting to see the results or the action taken by this committee and by the Congress.

I hope that Congress won't be the party which will cut the thread holding the sword of Damocles over some of our members, because most of these leases expire in February and, while demands have been made in most cases for increases for the ensuing year, about a third haven't yet received these requests, and there is a strong likelihood that they may be in a worse position within the next week or 10 days than those who already have had increases.



Senator TAFT. Do your members report profits to you?

Mr. SUTRO. No; they do not. I am glad you asked that, Senator, because it so happens that about 60 or 65 percent of our members are engaged in war work exclusively. And I have a letter from a contracting officer which I received several days ago in connection with the complaints made by us to the Quartermaster apropos of this situation. They do not report profits to us, but we have a fairly good idea of what they make or can make. We work on a fixed price. The basis of operations in the contracting industry, particularly the men's clothing, is incomparable to a cost plus. Our labor fixed by negotiations, and this goes back approximately 15 or 20 years, and on that labor price we have an overhead of about 25 percent, and a change of a fraction of a percent will make a difference between staying in business or getting out. In two cases—and I will read a letter I got from Capt. Irvine I. Weitzenhoffer, contracting officer, addressed to our contractors' association, dated November 18, which is in point:

> Reference is had to your letters of November 8, 1944, November 10, 1944, and November 16, 1944, in regard to possible interference with production under contract with Frank Marino, subcontractor for Charles Glanzreck & Co., and with Hoboken Coat Co., due to difficulties which the subject contractors have with their landlords.
>
> In connection therewith, we regret to advise you that it is not within the province of this depot to intervene in matters of this nature and that this depot has no authority to take any legal action in such maters.

These two contractors are doing only Army work, and this was in connection with a letter that was sent to one contractor received, Frank Marino, dated October 27. I won't read the name of the attorney who sent the letter, but I will read the body of it:

> In connection with your tenancy affecting the ground floor loft at premises 20 Starr Street, Brooklyn, wherein I wrote to you on October 16, 1944, indicating a demand for a rental of $150 per month for such loft from December 1, 1944, you are now advised that having had no reply from you in answer to such letter, the owner desires now to rescind such letter and demands that you remove from, vacate, and give up possession thereof not later than November 20, 1944.
>
> You are further advised that the owner has already signed a contract for the sale of these premises to a purchaser who will make use and occupation thereof for his own purposes.

That is the end of the letter.

I made an investigation. There was no such sale but this was merely another means of getting a higher rental through a new tenant.

Senator TAFT. What I asked for is whether you have any means of knowing whether these manufacturers are making more money than they made 2 years ago, whether their profits have increased in spite of the increase in rental.

Mr. SUTRO. I would say that it would be more or less stable. I don't think it would be more. I wouldn't say it was less, and the reason I make that statement is because the ratio has not changed, and we operate under a price ceiling. The price ceiling affects all contractors through the entire country.

Senator TAFT. This tremendous demand for space seems to indicate that the volume in these businesses has increased very largely. Ordinarily an increase in volume means an increase in profits. Now, it was testified here, for instance, in one of these associations, dress manufacturers, that ordinarily, in ordinary times, there was a mortality of 30 percent. Now apparently there has been no such mortality recently, and I wondered if perhaps the war condition of these businesses is much more profitable than when these rents were fixed 3 or 4 years ago.

Mr. SUTRO. Well, I wouldn't say they were less profitable, Senator, but I would say that in the past 2 or 3 months I have had two cases where there was no space available anywhere in New York City, and I arranged for consolidation of two of these firms into one loft, and when I walked up there 2 or 3 days later I found material piled up to the roof in the offices and of the plant. They just had no room to put the material. And I want to emphasize just that one point, that the situation is not localized in New York City; it has spread to the city of Newark. We have two cases there now and while I don't want to make this a matter of record I think it is amusing that in one case I am arranging for the transfer of a plant in New York City to the city of Newark. And it isn't because space was avaliable; it is because one of my clients wants to sell and dispose of the property, and he is making a handsome profit on one of our other members. Of course, we don't want to encourage that situation, with all due respect to the Senator from New Jersey. We want to keep some sort of stability. The members in Jersey deserve our protection the same as the members in New York, and we would like to keep them just where they are at.

The CHAIRMAN. Any other questions? Senator?

Senator HAWKES. Mr. Chairman, I would like to know if you can give me the names of the two concerns in New York you were just referring to.

Mr. SUTRO. I will be glad to give that to you in just a moment.

Mr. HALPERIN. David Marmelstein.

Mr. Chairman, may I present Mr. David Marmelstein, of the United Better Dress Manufacturers Association of New York.

The CHAIRMAN. I believe Mr. Schwab is here also?

Mr. HALPERIN. Yes, Mr. Chairman; and I will also have perhaps four very short statements by members of industry to appear after some of our more lengthy presentations this afternoon.

## STATEMENT OF DAVID MARMOLSTEIN, REPRESENTING UNITED BETTER DRESS MANUFACTURERS ASSOCIATION, NEW YORK CITY, N. Y.

Mr. MARMOLSTEIN. My name is David Marmolstein. I represent the United Better Dress Manufacturers Association. This association represents about 500 small concerns, employing about 30,000 workers, principally located in the city of New York.

Senator TAFT. What kind of dresses do they manufacture and garments in general?

Mr. MARMOLSTEIN. Ladies, men's, and misses' dresses.

Senator TAFT. Will you give me the name of that organization again? Is it the International?



Mr. MARMOLSTEIN. No, Senator Taft; it is the United Better Dress Manufacturers Association.

Senator TAFT. It is the United Better Dress Manufacturers Association and not the International?

Mr. MARMOLSTEIN. That is correct. In other words, we make dresses at wholesale from $6.75 up.

Senator TAFT. As contrasted with what?

Mr. MARMOLSTEIN. There are other organizations that wholesale dresses from $6.75 down.

The CHAIRMAN. You have about 500 firms or groups in your organization?

Mr. MARMOLSTEIN. About 500 small firms. They do not sell directly to the consumers. They produce the product for what is known as the jobber or the manufacturer in the industry.

The CHAIRMAN. Continue with your statement.

Mr. MARMOLSTEIN. In the first instance, I would like to clarify a situation I heard discussed here that deals with the question as to whether this is a State or national problem.

Senator TAFT. To what do you refer?

Mr. MARMOLSTEIN. I refer to a statement made previously, or I would at least like to refer to my statement, or the evidence that was introduced in the record on July 14, at the hearing conducted by the Senate Small Business Committee, the substance of which is as follows:

I only have a copy in my possession. I am sorry I failed to bring the original with me. This is a letter from the Governor of the State of New York, in which he states, when his attention is called to that situation involving our problem—he states he was helpless to do anything about it, and he referred us to the Office of Price Administration and the National Legislature.

I therefore refer you to that testimony that I gave before that committee on July 14.

Senator TAFT. Of course, why isn't there power in the State of New York to take care of this situation? In fact, the act itself, on the subject of rents provides that the administrator shall make recommendations and then, if within 60 days the rents have not been stabilized or reduced by State or local legislation, he may proceed to Federal.

The Federal law recognizes the right and the primary duty of the State. Of course, the Governor of New York may say something to you about the power that is actually exercised by the New York Legislature, but legally they certainly have the power to do it, and they have the precedent already established whereby they may do it. As to whether we have the power, also, I do not mean to say that we do not have it, also, because, of course, we do in wartime as part of inflation control.

Mr. MARMOLSTEIN. If I may be permitted to say so, I have just been handed a copy of the letter. And I would like to read those two letters, in fact, that have been introduced in evidence.

The first of those letters, and it is addressed to myself, David Marmelstein, under date of September 2, 1943, and reads:

On behalf of Governor Dewey I acknowledge your telegram of August 31, 1943, concerning the pending increase of rentals for contractors.

I regret very much that I know of no way in which the situation of your members may be removed by the governor. Under existing laws there is no

power in the State to impose regulations or controls over rentals other than Federal regulations now existing and the powers under the regulations, * * *.

Senator TAFT. That is from the Governor of New York?

Mr. MARMOLSTEIN. Yes, Senator Taft.

I know the governor will be deeply appreciative of your interest in bringing this matter to his attention.

Senator TAFT. He simply says there was no New York legislation. He does not say that New York may not pass legislation. That is perfectly true.

Mr. MARMOLSTEIN. Senator Taft, the questions of law I am afraid are over my head, and I would not undertake to answer them. I am not an attorney by profession so I am unable to say as to what the power may or may not be, except I want to call your attention to Governor Dewey's statement wherein he says that he is helpless to do anything himself, and refers us to the place he feels it rightfully belongs—here.

Senator TAFT. I think he was under a misapprehension as to the scope of this law, as is indicated by that letter, that the scope of this law did not include commercial rents. He is talking about existing legislation.

Certainly, that letter does not say that the State of New York cannot pass a law.

I would refer to my colleague, Senator Wagner from New York, for confirmation of this statement that New York did pass a law doing exactly this very thing after the First World War, which law went to the Supreme Court of the United States on the question of its constitutionality and the Supreme Court of the United States upheld Senator Wagner, then Judge Wagner. So, there is no question about the legal power of the State of New York to pass such a law.

I do not think Governor Dewey says anything different from that in that letter.

Mr. MARMOLSTEIN. Mr. Chairman, I have a memorandum here which indicates that 250 of our members have had serious problems of this nature, and, although I know time will not permit me to read it in full, I should like to make some reference to it.

The CHAIRMAN. You can put that in the record, if you like.

Mr. MARMOLSTEIN. It is not ready for submission at this time. There are certain corrections that need to be made in it in order to make it complete. I would like to have permission to send it in from New York tonight, if I may.

The CHAIRMAN. That may be done

(The above-mentioned tabulation is as follows:)

REPORT SUBMITTED BY DAVID MARMOLSTEIN ON BEHALF OF THE UNITED BETTER DRESS MANUFACTURERS ASSOCIATION, INC.

| Code No. | Address | Rent paid | | | | |
|---|---|---|---|---|---|---|
| | | 1941 | 1942 | 1943 | 1944 | 1945 |
| 1 | 143 West 20th St | $900.00 | $1,020.00 | $1,400.00 | $1,400.00 | $1,400.00 |
| 2 | 150 West 22d St | 2,200.00 | 2,340.00 | 2,340.00 | 3,500.00 | 3,500.00 |
| 3 | do | 1,140.00 | 1,320.00 | 1,600.00 | 1,600.00 | 2,100.00 |
| 4 | 54 West 21st St | 1,080.00 | 1,300.00 | 1,320.00 | 2,100.00 | 2,100.00 |
| 5 | do | 1,230.00 | 1,500.00 | 1,500.00 | 2,000.00 | 2,400.00 |
| 6 | 16 West 22d St | | | 1,020.00 | 1,020.00 | 1,632.00 |



REPORT SUBMITTED BY DAVID MARMOLSTEIN ON BEHALF OF THE UNITED BETTER DRESS MANUFACTURERS ASSOCIATION, INC.—Continued

| Code No. | Address | Rent paid | | | | |
|---|---|---|---|---|---|---|
| | | 1941 | 1942 | 1943 | 1944 | 1945 |
| 7 | do | $900.00 | $1,080.00 | $1,200.00 | $1,200.00 | $1,200.00 |
| 8 | 126 West 22d St | 1,100.00 | 1,400.00 | 1,400.00 | 1,800.00 | 2,400.00 |
| 9 | 119 West 23d St | 900.00 | 1,200.00 | 1,700.00 | 1,700.00 | 1,700.00 |
| 10 | do | 660.00 | 750.00 | 790.00 | 997.08 | 1,000.08 |
| 11 | do | 1,000.08 | 1,200.00 | 1,440.00 | 1,700.04 | 1,700.04 |
| 12 | 146 West 24th St | 1,200.00 | 2,150.00 | 2,900.00 | 3,800.00 | 3,800.00 |
| 13 | 147 West 24th St | 660.00 | 780.00 | 1,200.00 | 1,260.00 | 1,300.00 |
| 14 | 28 West 25th St | 2,200.00 | 2,500.00 | 2,500.00 | 3,000.00 | 4,500.00 |
| 15 | 107 West 25th St | 1,200.00 | 1,350.00 | 1,350.00 | 1,560.00 | 1,560.00 |
| 16 | 108 West 25th St | | | 1,800.00 | 1,800.00 | 2,800.00 |
| 17 | 127 West 25th St | 2,500.00 | 2,800.00 | 2,800.00 | 3,100.00 | 3,100.00 |
| 18 | 130 West 25th St | 1,500.00 | 1,500.00 | 1,600.00 | 1,800.00 | 3,000.00 |
| 19 | do | 1,500.00 | 1,650.00 | 1,650.00 | 1,890.00 | 3,340.00 |
| 20 | 152 West 25th St | 1,800.00 | 1,800.00 | 2,000.00 | 2,400.00 | 3,500.00 |
| 21 | do | 1,700.00 | 2,000.00 | 2,000.00 | 2,400.00 | 3,500.00 |
| 22 | do | 1,500.00 | 1,550.00 | 1,550.00 | 1,706.00 | |
| 23 | do | 1,250.00 | 1,500.00 | 1,500.00 | 1,700.00 | 1,700.00 |
| 24 | do | 1,300.00 | 1,600.00 | 1,750.00 | 1,750.00 | 1,750.00 |
| 25 | 127 West 26th St | 2,000.00 | 2,000.00 | 2,400.00 | 2,400.00 | 2,400.00 |
| 26 | do | 1,600.00 | 2,000.00 | 2,000.00 | 2,500.00 | 2,500.00 |
| 27 | 134 West 26th St | 1,860.00 | 1,980.00 | 2,178.00 | 2,395.80 | 2,395.80 |
| 28 | 233 West 26th St | 1,200.00 | 1,200.00 | 1,260.00 | 1,410.00 | |
| 29 | 233 West 26th St | 1,350.00 | 1,650.00 | 1,860.00 | 1,860.00 | |
| 30 | 236 West 26th St | 1,452.00 | 1,452.00 | 1,872.00 | 1,872.00 | |
| 31 | 253 West 26th St | 1,500.04 | 1,500.04 | 1,855.00 | 1,855.00 | 2,000.00 |
| 32 | do | 1,310.00 | 1,310.00 | 1,310.00 | 1,430.00 | 1,500.00 |
| 33 | do | 1,470.00 | 1,570.00 | 1,570.00 | 1,770.00 | 2,000.00 |
| 34 | do | 2,070.00 | 2,220.00 | 2,220.00 | 2,500.00 | 2,700.00 |
| 35 | do | 2,742.00 | 2,742.00 | 2,942.00 | 3,642.00 | 4,042.00 |
| 36 | do | 2,020.00 | 2,200.00 | 2,200.00 | 2,800.00 | 3,000.00 |
| 37 | do | 1,720.00 | 1,770.00 | 1,770.00 | 2,100.00 | 2,250.00 |
| 38 | do | 1,300.00 | 1,300.00 | 1,400.00 | 1,500.00 | 1,600.00 |
| 39 | do | 1,810.00 | 1,950.00 | 2,200.00 | 2,400.00 | 2,400.00 |
| 40 | 28 West 27th St | 1,450.00 | 1,712.00 | 1,812.00 | 2,012.00 | |
| 41 | 104 West 27th St | 2,400.00 | 2,700.00 | 2,700.00 | 3,300.00 | 3,600.00 |
| 42 | 109 West 27th St | 1,500.00 | 1,600.00 | 1,900.00 | 2,200.00 | 3,000.00 |
| 43 | 111 West 27th St | 1,500.00 | 1,600.00 | 1,900.00 | 2,200.00 | 3,000.00 |
| 44 | 115 West 27th St | 2,300.00 | 2,300.00 | 2,300.00 | 2,700.00 | 2,700.00 |
| 45 | 122 West 27th St | 840.00 | 912.00 | 912.00 | 1,104.00 | |
| 46 | do | 875.00 | 875.00 | 960.00 | 1,080.00 | 1,080.00 |
| 47 | 129 West 27th St | 1,800.00 | 1,800.00 | 2,100.00 | 2,100.00 | 3,000.00 |
| 48 | 135 West 27th St | 1,800.00 | 2,100.00 | 2,500.00 | 2,500.00 | |
| 49 | 144 West 27th St | 1,200.00 | 1,400.00 | 1,400.00 | 2,100.00 | 3,000.00 |
| 50 | 153 West 27th St | 1,032.00 | 1,196.00 | 1,212.00 | 1,212.00 | 1,212.00 |
| 51 | 208 West 27th St | 900.00 | 900.00 | 960.00 | 1,000.00 | 1,000.00 |
| 52 | 245 West 27th St | 1,080.00 | 1,200.00 | 1,200.00 | 1,320.00 | 1,620.00 |
| 53 | do | 1,212.00 | 1,212.00 | 1,452.00 | 1,452.00 | |
| 54 | 41 West 29th St | 2,100.00 | 2,400.00 | 2,700.00 | 2,700.00 | 3,700.00 |
| 55 | 116 West 29th St | 1,900.00 | 2,250.00 | 2,250.00 | 3,000.00 | 3,000.00 |
| 56 | 115 West 30th St | | | | 1,500.00 | |
| 57 | 140 West 30th St | 720.00 | 800.00 | 800.00 | 960.00 | 960.00 |
| 58 | 13 West 31st St | 900.00 | 900.00 | 1,200.00 | 1,440.00 | 1,440.00 |
| 59 | 25 West 31st St | 1,262.50 | 1,606.74 | 1,615.08 | 1,865.04 | 4,500.00 |
| 60 | 253 West 35th St | | | 2,130.00 | 2,130.00 | 2,679.96 |
| 61 | 264 West 35th St | 2,600.00 | 2,700.00 | 2,700.00 | 3,000.00 | 4,800.00 |
| 62 | 335 West 35th St | 840.00 | 900.00 | 1,020.00 | 1,600.00 | 1,600.00 |
| 63 | do | 1,500.00 | 1,500.00 | 1,620.00 | 1,900.00 | 2,850.00 |
| 64 | do | | 1,500.00 | 1,750.00 | 1,750.00 | 3,000.00 |
| 65 | do | 1,500.00 | 1,620.00 | 1,620.00 | 1,900.00 | 3,250.00 |
| 66 | do | 1,800.00 | 1,800.00 | 2,200.00 | 2,200.00 | 2,800.00 |
| 67 | 345 West 35th St | 1,500.00 | 1,500.00 | 1,770.00 | 1,770.00 | 2,024.00 |
| 68 | do | | | 2,000.00 | 2,200.00 | 2,530.00 |
| 69 | do | 1,624.08 | 1,784.04 | 1,784.04 | 2,049.00 | 2,049.00 |
| 70 | do | 1,500.00 | 1,650.00 | 1,650.00 | 1,900.00 | 2,185.00 |
| 71 | do | 1,350.00 | 1,485.00 | 1,485.00 | 1,700.00 | 1,955.00 |
| 72 | do | 1,400.00 | 1,400.00 | 1,540.00 | 1,771.00 | 2,125.00 |
| 73 | 370 West 35th St | 1,333.40 | 2,533.28 | 2,829.92 | 3,096.66 | 3,120.00 |
| 74 | do | 1,700.00 | 1,900.00 | 1,900.00 | 2,150.00 | 2,400.00 |
| 75 | do | 2,700.00 | 2,700.00 | 2,900.00 | 3,300.00 | 3,600.00 |
| 76 | do | 1,500.00 | 1,591.74 | 1,600.00 | 1,900.00 | 2,100.00 |
| 77 | do | 2,200.00 | 2,200.00 | 2,200.00 | 2,500.00 | 2,700.00 |
| 78 | 29 West 36th St | 2,000.00 | 2,000.00 | 2,000.00 | 2,600.00 | 2,600.00 |
| 79 | 64 West 36th St | 2,300.00 | 2,300.00 | 2,300.00 | 2,700.00 | 3,900.00 |
| 80 | do | 3,300.00 | 3,500.00 | 3,500.00 | 3,750.00 | 5,250.00 |
| 81 | 225 West 36th St | 1,500.00 | 1,800.00 | 1,800.00 | 2,400.00 | 3,000.00 |
| 82 | 229 West 36th St | | 2,400.00 | 2,730.00 | 3,230.00 | [1] 3,230.00 |

See footnotes at end of table.

REPORT SUBMITTED BY DAVID MARMOLSTEIN ON BEHALF OF THE UNITED BETTER DRESS MANUFACTURERS ASSOCIATION, INC.—Continued

| Code No. | Address | Rent paid | | | | |
|---|---|---|---|---|---|---|
| | | 1941 | 1942 | 1943 | 1944 | 1945 |
| 83 | 241 West 36th St | | $852.00 | $1,092.00 | $1,092.00 | $1,392.00 |
| 84 | do | $2,500.00 | 2,750.00 | 2,950.00 | 2,950.00 | 4,000.00 |
| 85 | do | | | | 2,800.00 | 2,800.00 |
| 86 | 242 West 36th St | 1,500.00 | 1,600.08 | 1,600.08 | 1,800.00 | 1,800.00 |
| 87 | 251 West 36th St | 2,000.00 | 2,200.00 | 2,200.00 | 2,600.00 | 3,300.00 |
| 88 | do | 1,800.00 | 2,000.00 | 2,000.00 | 2,700.00 | 2,700.00 |
| 89 | do | | | | 2,436.00 | 3,000.00 |
| 90 | 307 West 36th St | 1,400.00 | 1,540.00 | 1,540.00 | 1,650.00 | 1,900.00 |
| 91 | do | | 1,680.00 | 1,950.00 | 2,100.00 | 2,550.00 |
| 92 | 315 West 36th St | 1,800.00 | 1,800.00 | 1,800.00 | 2,100.00 | 3,030.00 |
| 93 | do | | | 2,274.00 | 2,520.00 | 4,300.00 |
| 94 | do | 1,800.00 | 1,800.00 | 2,050.00 | 2,050.00 | 2,900.00 |
| 95 | do | 1,700.00 | 1,800.00 | 1,900.00 | 2,000.00 | 2,727.00 |
| 96 | do | | 1,800.00 | 2,000.00 | 2,000.00 | 3,000.00 |
| 97 | do | 1,500.00 | 1,500.00 | 1,600.00 | 1,700.00 | 2,700.00 |
| 98 | do | 2,000.00 | 2,200.00 | 2,226.00 | 2,500.00 | 3,500.00 |
| 99 | do | 1,900.00 | 1,900.00 | 1,924.00 | 2,200.00 | |
| 100 | do | 1,700.04 | 1,855.88 | 1,895.69 | 1,991.54 | 1,991.54 |
| 101 | do | | 2,400.00 | 2,500.00 | 2,750.00 | 4,500.00 |
| 102 | do | 1,600.00 | 2,100.00 | 2,100.00 | 2,400.00 | 3,435.00 |
| 103 | 327 West 36th St | 1,900.00 | 2,050.00 | 2,050.00 | 2,500.00 | 3,000.00 |
| 104 | do | 1,800.00 | 1,920.00 | 1,920.00 | 2,400.00 | 2,700.00 |
| 105 | do | | | 2,400.00 | 2,400.00 | 2,800.00 |
| 106 | do | 1,362.00 | 1,392.00 | 1,392.00 | 1,600.00 | 1,800.00 |
| 107 | do | 1,320.00 | 1,320.00 | 1,320.00 | 1,500.00 | 1,700.00 |
| 108 | 347 West 36th St | | 1,250.00 | 1,375.00 | 1,412.50 | 1,600.00 |
| 109 | do | 1,800.00 | 1,920.00 | 1,920.00 | 2,121.00 | 2,323.00 |
| 110 | do | 1,200.00 | 1,200.00 | 1,200.00 | 1,320.00 | 1,320.00 |
| 111 | 356 West 36th St | 1,212.00 | 1,212.00 | 1,212.00 | 1,612.08 | 1,800.00 |
| 112 | do | 1,400.00 | 1,400.00 | 1,900.00 | 1,900.00 | 2,100.00 |
| 113 | do | 2,020.00 | 2,020.00 | 2,020.00 | 2,100.00 | 3,200.00 |
| 114 | 361 West 36th St | 1,600.00 | 1,660.00 | 1,660.00 | 2,260.00 | |
| 115 | do | 1,350.00 | 1,380.00 | 1,380.00 | 1,800.00 | 2,360.00 |
| 116 | do | | 1,400.00 | 1,400.00 | 1,800.00 | 2,340.00 |
| 117 | do | | | | 2,200.00 | 2,200.00 |
| 118 | do | 1,600.00 | 1,660.00 | 1,660.00 | 2,200.00 | 2,700.00 |
| 119 | 101 West 37th St | | 1,412.00 | 2,030.00 | 2,438.00 | 3,125.00 |
| 120 | 306 West 37th St | | 1,400.00 | 1,400.00 | 1,600.00 | 1,800.00 |
| 121 | do | 1,400.00 | 1,450.00 | 1,450.00 | 1,576.00 | 1,800.00 |
| 122 | do | 1,900.00 | 2,100.00 | 2,300.00 | 2,500.00 | 2,500.00 |
| 123 | do | 1,500.00 | 1,500.00 | 1,650.00 | 1,800.00 | 2,000.00 |
| 124 | 320 West 37th St | 1,900.00 | 2,050.00 | 2,050.00 | 2,500.00 | 2,900.00 |
| 125 | do | 1,300.00 | 1,300.00 | 1,600.00 | 1,600.00 | 1,900.00 |
| 126 | do | 1,200.00 | 1,200.00 | 1,620.00 | 1,620.00 | 2,820.00 |
| 127 | do | 2,600.00 | 2,600.00 | 2,600.00 | 3,300.00 | 4,000.00 |
| 128 | 325 West 37th St | 2,100.00 | 2,200.00 | 2,600.00 | 2,600.00 | 3,300.00 |
| 129 | do | 1,800.00 | 1,800.00 | 1,800.00 | 2,200.00 | 3,600.00 |
| 130 | 336 West 37th St | 1,525.00 | 1,600.00 | 1,800.00 | 1,800.00 | 2,400.00 |
| 131 | do | 1,300.00 | 1,500.00 | 1,500.00 | 1,800.00 | 2,280.00 |
| 132 | do | 2,200.00 | 2,200.00 | 2,400.00 | 2,650.00 | 3,100.00 |
| 133 | do | 1,800.00 | 2,000.00 | 2,000.00 | 2,200.00 | 2,640.00 |
| 134 | do | 1,512.00 | 1,642.00 | 1,650.00 | 1,850.04 | 2,300.00 |
| 135 | do | 1,650.00 | 1,650.00 | 1,750.00 | 1,900.00 | 2,300.00 |
| 136 | do | 1,300.00 | 1,450.00 | 1,450.00 | 1,600.00 | 1,920.00 |
| 137 | do | | | 1,650.00 | 1,650.00 | 2,040.00 |
| 138 | do | | | 2,200.00 | 2,200.00 | 2,760.00 |
| 139 | do | | 1,312.00 | 1,312.00 | 1,462.00 | 1,800.00 |
| 140 | do | 1,758.70 | 1,772.04 | 1,862.00 | 1,862.00 | 2,090.00 |
| 141 | 102 West 38th St | 1,300.00 | 1,300.00 | 1,300.00 | 1,600.00 | 2,200.00 |
| 142 | 257 West 38th St | | | | 3,200.00 | 4,000.00 |
| 143 | 263 West 38th St | 4,200.00 | 4,500.00 | 5,000.00 | 7,000.00 | 10,000.00 |
| 144 | 270 West 38th St | | 2,200.00 | 2,300.00 | 2,500.00 | 3,000.00 |
| 145 | do | 2,100.00 | 2,300.00 | 2,300.00 | 2,300.00 | 3,300.00 |
| 146 | do | | 2,250.00 | 2,250.00 | 2,500.00 | 3,000.00 |
| 147 | do | 1,550.00 | 1,550.00 | 1,550.00 | 1,700.00 | 2,000.00 |
| 148 | do | 2,250.00 | 2,300.00 | 2,300.00 | 2,500.00 | 3,000.00 |
| 149 | do | 2,200.00 | 2,200.00 | 2,200.00 | 2,500.00 | 3,000.00 |
| 150 | 306 West 38th St | 1,200.00 | 1,200.00 | 1,400.00 | 1,600.00 | |
| 151 | do | 2,068.08 | 2,208.08 | 2,208.08 | 2,668.08 | 2,668.08 |
| 152 | do | 1,380.00 | 1,380.00 | 1,380.00 | 1,580.00 | 1,580.00 |
| 153 | 307 West 38th St | 1,600.00 | 1,600.00 | 1,600.00 | 1,900.00 | 1,900.00 |
| 154 | do | 1,700.00 | [2] 1,350.00 | 1,700.00 | 1,700.00 | 1,850.00 |
| 155 | do | 1,312.08 | 1,312.08 | 1,312.08 | 1,512.00 | 1,800.00 |
| 156 | do | 1,500.00 | 1,500.00 | 1,500.00 | 1,800.00 | 2,200.00 |
| 157 | do | 1,500.00 | 1,500.00 | 1,500.00 | 2,000.00 | 2,200.00 |
| 158 | do | 1,000.00 | 1,400.00 | 1,400.00 | 1,650.00 | 2,000.00 |
| 159 | do | 2,000.00 | 2,100.00 | 2,100.00 | 2,600.00 | 3,000.00 |

See footnotes at end of table.



REPORT SUBMITTED BY DAVID MARMOLSTEIN ON BEHALF OF THE UNITED BETTER DRESS MANUFACTURERS ASSOCIATION, INC.—Continued

| Code No. | Address | Rent paid | | | | |
|---|---|---|---|---|---|---|
| | | 1941 | 1942 | 1943 | 1944 | 1945 |
| 160 | 307 West 38th St | $1,700.00 | $1,800.00 | $1,800.00 | $2,300.00 | $2,600.00 |
| 161 | do | | 2,200.00 | 2,200.00 | 3,000.00 | 3,200.00 |
| 162 | do | | 1,450.00 | 1,450.00 | 1,800.00 | 2,300.00 |
| 163 | do | 2,200.00 | 2,400.00 | 2,700.00 | 3,600.00 | 3,600.00 |
| 164 | do | | | 780.00 | 960.00 | 1,100.00 |
| 165 | do | 1,100.00 | 1,100.00 | 1,100.00 | 1,300.00 | 1,600.00 |
| 166 | do | 1,600.00 | 1,800.00 | 1,800.00 | 2,300.00 | 2,650.00 |
| 167 | do | 2,200.00 | 2,200.00 | 2,200.00 | 3,200.00 | 3,200.00 |
| 168 | do | 2,000.00 | 2,100.00 | 2,200.00 | 2,950.00 | 3,600.00 |
| 169 | 323 West 38th St | 1,080.00 | 1,080.00 | 1,320.00 | 1,320.00 | 1,500.00 |
| 170 | do | 2,000.00 | 2,000.00 | 2,000.00 | 2,400.00 | 2,520.00 |
| 171 | do | 1,500.00 | 1,620.00 | 1,620.00 | 1,800.00 | 1,920.00 |
| 172 | do | 1,800.00 | 1,920.00 | 2,100.00 | 2,100.00 | 2,280.00 |
| 173 | do | 1,833.33 | 2,000.00 | 2,000.00 | 2,400.00 | 2,700.00 |
| 174 | do | 1,800.00 | 1,980.00 | 1,980.00 | 2,400.00 | 2,700.00 |
| 175 | do | 1,400.00 | 1,400.00 | 1,620.00 | 1,620.00 | 1,620.00 |
| 176 | do | 1,800.00 | 1,800.00 | 1,800.00 | 2,400.00 | 3,000.00 |
| 177 | do | 2,700.00 | 2,700.00 | 3,200.00 | 3,200.00 | 3,200.00 |
| 178 | do | 1,992.00 | 1,992.00 | 1,992.00 | 2,280.00 | 2,400.00 |
| 179 | do | 1,080.00 | 1,080.00 | 1,440.00 | 1,440.00 | 1,500.00 |
| 180 | 330 West 38th St | | | 1,900.00 | 2,300.00 | 2,900.00 |
| 181 | do | 1,750.00 | 1,900.00 | 2,100.00 | 2,100.00 | 2,700.00 |
| 182 | do | 1,400.00 | 1,400.00 | 1,400.00 | 1,600.00 | 2,000.00 |
| 183 | do | 2,500.00 | 2,500.00 | 2,600.00 | 2,900.00 | 3,600.00 |
| 184 | do | 1,882.00 | 1,882.00 | 2,012.00 | 2,000.00 | 2,500.00 |
| 185 | do | 1,800.00 | 1,965.00 | 1,965.00 | 2,267.00 | 3,000.00 |
| 186 | do | 1,409.00 | 1,509.00 | 1,509.00 | 1,709.00 | 2,159.00 |
| 187 | do | 1,312.00 | 1,412.00 | 1,412.00 | 1,612.00 | 2,012.00 |
| 188 | do | 1,415.00 | 1,415.00 | 1,515.00 | 1,765.00 | 2,215.00 |
| 189 | do | 1,212.00 | 1,332.00 | 1,332.00 | 1,572.00 | 1,962.00 |
| 190 | do | 1,700.00 | 1,850.00 | 1,850.00 | 2,150.00 | 2,700.00 |
| 191 | do | 1,800.00 | 1,950.00 | 1,950.00 | 2,300.00 | 2,900.00 |
| 192 | do | 849.00 | 900.00 | 900.00 | 1,089.00 | 1,359.00 |
| 193 | do | | 1,350.00 | 1,450.00 | 1,700.00 | 2,300.00 |
| 194 | do | 1,600.00 | 1,800.00 | 2,100.00 | 2,100.00 | 2,800.00 |
| 195 | do | 1,512.50 | 1,512.50 | 1,512.50 | 1,900.00 | 2,600.00 |
| 196 | 335 West 38th St | 1,500.00 | 1,500.00 | 1,500.00 | 2,250.00 | 2,800.00 |
| 197 | do | 2,100.00 | 2,100.00 | 2,100.00 | 3,230.00 | 4,030.00 |
| 198 | do | 1,300.00 | 1,300.00 | 1,300.00 | 1,950.00 | 2,500.00 |
| 199 | do | 2,100.00 | 2,100.00 | 3,100.00 | 3,100.00 | 4,200.00 |
| 200 | do | 1,400.00 | 1,500.00 | 1,500.00 | 2,300.00 | 2,800.00 |
| 201 | 344 West 38th St | 1,800.00 | 1,900.00 | 2,000.00 | 2,496.00 | 2,696.00 |
| 202 | 23 West 39th St | 2,150.00 | 2,150.00 | 2,150.00 | 2,250.00 | 2,750.00 |
| 203 | 105 West 39th St | 1,308.00 | 1,512.00 | 2,512.00 | 1,992.04 | |
| 204 | 230 West 39th St | 2,200.00 | 2,200.00 | 1,200.00 | 2,500.00 | 2,900.00 |
| 205 | 234 West 39th St | 1,700.00 | 1,700.00 | 1,800.00 | 2,100.00 | 2,600.00 |
| 206 | 239 West 39th St | 1,880.00 | 1,980.00 | 1,980.00 | 1,980.00 | 2,500.00 |
| 207 | do | 2,424.00 | 2,600.00 | 2,600.00 | 2,600.00 | 3,600.00 |
| 208 | do | | 1,300.00 | 1,350.00 | 1,620.00 | 1,900.00 |
| 209 | do | 2,800.00 | 3,200.00 | 3,200.00 | 3,200.00 | 4,400.00 |
| 210 | do | 1,060.00 | 1,320.00 | 1,350.00 | 1,700.00 | 2,100.00 |
| 211 | 244 West 39th St | | 1,800.00 | 1,800.00 | 2,500.00 | [3] |
| 212 | 251 West 39th St | 2,533.00 | 2,633.00 | 2,633.00 | 3,200.00 | 4,000.00 |
| 213 | 257 West 39th St | 1,650.00 | 1,650.00 | 1,900.00 | 1,900.00 | 1,900.00 |
| 214 | do | 2,200.00 | 2,400.00 | 2,400.00 | 2,750.00 | 3,250.00 |
| 215 | do | 3,000.00 | 3,000.00 | 3,500.00 | 4,500.00 | 4,500.00 |
| 216 | do | 1,600.00 | 1,750.00 | 1,750.00 | 2,100.00 | 2,500.00 |
| 217 | do | 2,700.00 | 2,700.00 | 2,700.00 | 3,200.00 | 4,000.00 |
| 218 | do | 1,800.00 | 2,000.00 | 2,400.00 | 2,700.00 | 2,700.00 |
| 219 | do | 1,300.00 | 1,500.00 | 1,500.00 | 1,700.00 | [3] |
| 220 | do | 4,200.00 | 2,200.00 | 2,600.00 | 2,600.00 | 2,600.00 |
| 221 | do | 2,500.00 | 2,600.00 | 2,600.00 | 3,200.00 | 4,500.00 |
| 222 | do | | 1,600.00 | 1,800.00 | 2,100.00 | 3,000.00 |
| 223 | 260 West 39th St | | | | 2,600.00 | 3,100.00 |
| 224 | do | 1,212.00 | 1,424.00 | 1,424.00 | 1,600.00 | 1,900.00 |
| 225 | do | 2,420.00 | 2,420.00 | 2,420.00 | 2,750.00 | 3,300.00 |
| 226 | do | 2,125.00 | 2,300.00 | 2,350.00 | 2,700.00 | 3,168.00 |
| 227 | do | 2,300.00 | 2,350.00 | 2,450.00 | 2,750.00 | 2,750.00 |
| 228 | 270 West 39th St | 2,318.04 | 2,318.04 | 2,318.04 | 2,668.08 | 3,840.00 |
| 229 | do | 1,812.00 | 1,812.00 | 1,812.00 | 2,012.00 | 3,212.00 |
| 230 | do | 1,200.00 | 1,500.00 | 1,812.00 | 2,172.00 | 3,024.00 |
| 231 | do | 2,121.00 | 2,121.00 | 2,121.00 | 2,520.96 | 4,300.00 |
| 232 | do | 3,600.00 | 3,800.00 | 3,800.00 | 4,500.00 | 6,300.00 |
| 233 | do | 2,000.00 | 2,200.00 | 2,200.00 | 2,550.00 | 3,960.00 |
| 234 | 273 West 39th St | | | 2,100.00 | 2,300.00 | 3,400.00 |
| 235 | do | 1,974.00 | 2,150.04 | 2,150.04 | 3,048.00 | 3,448.00 |
| 236 | do | | 2,000.00 | 2,000.00 | 3,040.00 | 3,400.00 |
| 237 | do | 1,950.00 | 2,250.00 | 2,250.00 | 3,000.00 | 3,400.00 |

See footnotes at end of table.

REPORT SUBMITTED BY DAVID MARMOLSTEIN ON BEHALF OF THE UNITED BETTER DRESS MANUFACTURERS ASSOCIATION, INC.—Continued

| Code No. | Address | Rent paid | | | | |
|---|---|---|---|---|---|---|
| | | 1941 | 1942 | 1943 | 1944 | 1945 |
| 238 | 275 West 39th St | $1,900.00 | $2,000.00 | $2,000.00 | $3,000.00 | $3,400.00 |
| 239 | 315 West 39th St | 1,800.00 | 2,000.00 | 2,300.00 | 2,600.00 | 2,900.00 |
| 240 | do | 1,200.00 | 1,200.00 | 1,380.00 | 1,500.00 | 1,800.00 |
| 241 | do | 3,000.00 | 3,000.00 | 3,200.00 | 3,600.00 | 4,200.00 |
| 242 | do | 1,800.00 | 2,000.00 | 2,000.00 | 2,300.00 | 2,300.00 |
| 243 | do | 1,300.00 | 1,400.00 | 1,400.00 | 1,450.00 | 1,700.00 |
| 244 | do | 1,918.08 | 2,130.00 | 2,130.00 | 2,418.00 | 2,418.00 |
| 245 | do | | | | 2,300.00 | 2,600.00 |
| 246 | do | | | 2,200.00 | 2,200.00 | 2,500.00 |
| 247 | do | 1,700.00 | 1,800.00 | 2,100.00 | 2,400.00 | 2,700.00 |
| 248 | 323 West 39th St | 1,818.00 | 2,018.00 | 2,018.00 | 2,418.00 | 3,143.40 |
| 249 | do | 1,740.00 | 1,740.00 | 1,890.00 | 2,250.00 | 2,850.00 |
| 250 | do | 1,500.00 | 1,500.00 | 1,815.00 | 1,815.00 | 2,360.00 |
| 251 | do | 1,512.00 | 1,512.00 | 1,812.00 | 1,812.00 | 2,350.00 |
| 252 | do | 1,809.00 | 1,809.00 | 1,809.00 | 2,209.00 | 2,761.00 |
| 253 | do | 1,650.00 | 1,850.00 | 1,850.00 | 2,220.00 | 2,920.00 |
| 254 | do | | | | 2,418.00 | 3,012.00 |
| 255 | 327 West 39th St | 1,800.00 | 1,800.00 | 2,000.00 | 2,400.00 | 3,000.000 |
| 256 | 329 West 39th St | 1,500.00 | 1,620.00 | 2,400.00 | 2,580.00 | [3a] 2,580.00 |
| 257 | 333 West 39th St | | 1,400.00 | 1,680.00 | 2,000.00 | 2,0000.0 |
| 258 | do | 1,620.00 | 2,040.00 | 2,040.00 | 2,400.00 | 2,880.00 |
| 259 | do | | 1,620.00 | 1,620.00 | 2,100.00 | 2,820.00 |
| 260 | do | 1,449.96 | 1,449.96 | 1,500.00 | 1,980.00 | 2,580.00 |
| 261 | do | 1,620.00 | 1,620.00 | 2,280.00 | 2,280.00 | 2,750.00 |
| 262 | do | 1,400.00 | 1,436.67 | 2,327.50 | 3,000.00 | 3,450.00 |
| 263 | do | 2,000.00 | 2,000.00 | 2,000.00 | 2,400.00 | 3,000.00 |
| 264 | do | 1,400.00 | 1,860.00 | 2,220.00 | 2,220.00 | 2,220.00 |
| 265 | 340 West 39th St.[4] | | | | | |
| 266 | do | 1,020.00 | 1,100.00 | 1,100.00 | 1,220.00 | 1,600.00 |
| 267 | do | 1,000.00 | 1,100.00 | 1,200.00 | 1,320.00 | 1,800.00 |
| 268 | do | 1,800.00 | 2,124.00 | 2,124.00 | 2,400.00 | 2,400.00 |
| 269 | 347 West 39th St | 2,112.00 | 2,112.00 | 2,208.00 | 2,612.04 | 2,676.70 |
| 270 | do | 1,600.00 | 1,600.00 | 1,600.00 | 2,000.00 | 3,000.00 |
| 271 | do | 1,700.00 | 1,800.00 | 1,850.00 | 1,850.00 | 2,500.00 |
| 272 | do | 1,660.00 | 1,660.00 | 1,660.00 | 1,900.00 | 2,300.00 |
| 273 | do | 1,800.00 | 1,800.00 | 1,800.00 | 2,100.00 | 2,500.00 |
| 274 | do | 1,700.00 | 1,700.00 | 1,700.00 | 2,000.00 | 2,500.00 |
| 275 | 215 West 40th St | 1,500.00 | 1,650.00 | 1,650.00 | 1,900.00 | 2,100.00 |
| 276 | 250 West 40th St | 1,800.00 | 1,800.00 | 1,800.00 | 2,200.00 | 4,000.00 |
| 277 | do [5] | | | | | |
| 278 | 264 West 40th St | 1,632.00 | 1,712.04 | 1,712.04 | 2,052.00 | 2,500.00 |
| 279 | do | 2,150.00 | 2,150.00 | 2,150.00 | 2,580.00 | 3,200.00 |
| 280 | do | 2,700.00 | 2,800.00 | 2,800.00 | 3,396.00 | 4,200.00 |
| 281 | do | 2,100.00 | 2,100.00 | 2,100.00 | 2,520.00 | 3,200.00 |
| 282 | do | | | 1,200.00 | 1,320.00 | 1,800.00 |
| 283 | 265 West 40th St | 1,800.00 | 1,920.00 | 1,920.00 | 2,400.00 | 2,900.00 |
| 284 | do | 1,700.00 | 1,860.00 | 1,860.00 | 2,300.00 | 2,800.00 |
| 285 | do | 1,200.00 | 1,360.00 | 1,360.00 | 1,660.00 | 2,040.00 |
| 286 | do | 1,500.00 | 1,800.00 | 2,300.00 | 2,800.00 | 3,200.00 |
| 287 | 126 West 46th St | 1,500.00 | 1,500.00 | 1,740.00 | 2,500.00 | [5a] 2,500.00 |
| 288 | 130 West 46th St | 1,800.00 | 2,000.00 | 2,200.00 | 2,200.00 | 3,000.00 |
| 289 | 1 West 47th St | 1,000.00 | 1,000.00 | 1,100.00 | 1,200.00 | [5b] 1,200.00 |
| 290 | 866 6th Ave | 1,400.00 | 1,400.00 | 1,600.00 | 1,700.00 | 2,000.00 |
| 291 | do | 1,300.00 | 1,400.00 | 1,500.00 | 1,700.00 | 2,000.00 |
| 292 | 868 6th Ave | 1,400.00 | 1,400.00 | 1,600.00 | 1,800.00 | 1,800.00 |
| 293 | do | | 1,500.00 | 1,500.00 | 1,800.00 | 2,019.00 |
| 294 | 282 7th Ave | 1,800.00 | 1,980.00 | 1,980.00 | 2,400.00 | 2,400.00 |
| 295 | 491 7th Ave | | | 2,700.00 | 3,000.00 | 3,600.00 |
| 296 | 462 7th Ave | | | 2,400.00 | 3,400.00 | 5,000.00 |
| 297 | 498 7th Ave.[6] | | | | | |
| 298 | 322 8th Ave | 1,820.04 | 1,985.04 | 2,000.04 | 2,200.00 | 2,400.00 |
| 299 | 545 8th Ave | 1,700.04 | 1,716.84 | 1,716.04 | 2,000.00 | 2,300.00 |
| 300 | do | 2,000.00 | 2,400.00 | 2,418.00 | 2,418.00 | 2,750.00 |
| 301 | do | 1,876.80 | 2,016.84 | 2,016.84 | 2,416.80 | 2,768.80 |
| 302 | do | 1,816.80 | 1,865.64 | 1,866.84 | 2,216.88 | 2,700.00 |
| 303 | do | | 3,524.04 | 3,612.67 | 4,174.08 | 4,174.08 |
| 304 | 555 8th Ave | | 1,450.00 | 1,450.00 | 1,650.00 | 1,850.00 |
| 305 | 553 8th Ave | 2,100.00 | 2,250.00 | 2,250.00 | 2,800.00 | 3,220.00 |
| 306 | do | 2,200.00 | 2,400.00 | 2,400.00 | 3,000.00 | 3,450.00 |
| 307 | do | 2,400.00 | 2,400.00 | 2,400.00 | 3,000.00 | 3,450.00 |
| 308 | 535 8th Ave | 2,200.00 | 2,300.00 | 2,300.00 | 2,875.00 | 3,300.00 |
| 309 | do | | | 1,400.00 | 2,300.00 | 2,700.00 |
| 310 | do | 1,600.00 | 1,700.00 | 1,700.00 | 2,000.00 | 2,500.00 |
| 311 | do | 2,400.00 | 2,600.00 | 3,300.00 | 3,300.00 | 4,000.00 |
| 312 | 575 8th Ave | 1,600.00 | 1,750.00 | 2,400.00 | 2,400.00 | 3,100.00 |
| 313 | do | 3,400.00 | 3,600.00 | 4,000.00 | 4,000.00 | 6,500.00 |
| 314 | do | 2,200.00 | 2,400.00 | 2,500.00 | 3,150.00 | 3,150.00 |
| 315 | do | 2,400.00 | 2,500.00 | 2,700.00 | 3,500.00 | 4,500.00 |

See footnotes at end of table.



REPORT SUBMITTED BY DAVID MARMOLSTEIN ON BEHALF OF THE UNITED BETTER DRESS MANUFACTURERS ASSOCIATION, INC.—Continued

| Code No. | Address | Rent paid | | | | |
|---|---|---|---|---|---|---|
| | | 1941 | 1942 | 1943 | 1944 | 1945 |
| 316 | 575 8th Ave | $2,200.00 | $2,450.00 | $2,450.00 | $3,150.00 | $3,800.00 |
| 317 | do | 2,900.00 | 2,900.00 | 2,900.00 | 3,900.00 | 6,000.00 |
| 318 | do | 1,500.00 | 1,600.00 | 1,600.00 | 2,150.00 | 3,250.00 |
| 319 | do | 2,250.00 | 2,250.00 | 2,250.00 | 2,900.00 | 3,700.00 |
| 320 | do | 1,800.00 | 1,800.00 | 1,800.00 | 1,800.00 | 2,250.00 |
| 321 | do | 1,800.00 | 1,800.00 | 1,800.00 | 2,400.00 | 3,600.00 |
| 322 | 571 8th Ave | 2,100.00 | 2,100.00 | 2,250.00 | 3,300.00 | 4,300.00 |
| 323 | do | 1,402.44 | 1,570.44 | 1,570.44 | 2,224.08 | |
| 324 | 580 8th Ave | 2,300.00 | 2,300.00 | 2,300.00 | 3,000.00 | 4,000.00 |
| 325 | do | | | | 3,000.00 | 3,900.00 |
| 326 | do | | 840.00 | 900.00 | 1,200.00 | 1,700.00 |
| 327 | do | 2,220.00 | 2,300.00 | 2,300.00 | 3,000.00 | 4,000.00 |
| 328 | 589 8th Ave | 3,200.00 | 3,200.00 | 3,200.00 | 4,000.00 | 4,500.00 |
| 329 | do | 2,400.00 | 2,400.00 | 3,000.00 | 3,000.00 | 3,500.00 |
| 330 | do | 2,500.00 | 2,500.00 | 3,000.00 | 3,000.00 | 3,500.00 |
| 331 | do | 2,700.00 | 2,700.00 | 3,500.00 | 4,000.00 | 4,000.00 |
| 332 | do | 3,000.00 | 3,300.00 | 3,600.00 | 4,000.00 | 4,500.00 |
| 333 | do | 1,550.00 | | 2,000.00 | 2,000.00 | 2,300.00 |
| 334 | do | 1,650.00 | 1,650.00 | 1,650.00 | 2,100.00 | 2,350.00 |
| 335 | do | 3,300.00 | 3,300.00 | 4,000.00 | 4,000.00 | 4,000.00 |
| 336 | do | 3,200.00 | 3,600.00 | 3,600.00 | 4,000.00 | 4,500.00 |
| 337 | do | 3,200.00 | 3,200.00 | 3,200.00 | 4,000.00 | 4,500.00 |
| 338 | 1371 Broadway | 1,650.00 | 1,650.00 | 1,650.00 | 1,650.00 | 1,650.00 |
| 339 | 2705 Webster Ave. Bx | 900.00 | 900.00 | 900.00 | 900.00 | |
| 340 | 3802 Park Ave | | | | | 1,080.00 |
| 341 | 744 East 180th St | 900.00 | 900.00 | 900.00 | 900.00 | 900.00 |
| 342 | 2267 Hughes Ave., Bronx | 780.00 | 780.00 | 780.00 | 780.00 | 960.00 |
| 343 | 592 East 183d St., Bronx | | | | 660.00 | 660.00 |
| 344 | 159 East 86th St | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 |
| 345 | 882 DeKalb Ave | 1,080.00 | 1,080.00 | 1,410.00 | 1,500.00 | 1,500.00 |
| 346 | 1452 6th St., Brooklyn [7] | | | | | |
| 347 | 177 Concord St., Brooklyn | 1,800.00 | 1,800.00 | 1,800.00 | 2,100.00 | 2,100.00 |
| 348 | 655 5th Ave., Brooklyn | 900.00 | 900.00 | 900.00 | 900.00 | 900.00 |
| 349 | 1521 70th St., Brooklyn | 900.00 | 900.00 | 1,020.00 | 1,200.00 | 1,200.00 |
| 350 | 11 Sterling Place, Brooklyn | 870.00 | 1,150.00 | 1,250.00 | 1,200.00 | 1,200.00 |
| 351 | 60–16 56th St., Brooklyn | 780.00 | 780.00 | 780.00 | 780.00 | 780.00 |
| 352 | 522 47th Road | 900.00 | 1,080.00 | 1,080.00 | 1,080.00 | 1,080.00 |

[1] $1,000 bonus.
[2] Smaller loft.
[3] Lost lease.
[3a] July 1945.
[4] Has lease until February 1946, new tenant.
[5] Has lease until 1947 at $3,000.
[5a] Aug. 1945.
[5b] May 1945.
[6] Jobbers' premises.
[7] Own buildings.

Mr. MARMOLSTEIN. I will not dwell on it beyond that, except that I would like to read some of the cases with regard to the situation as it exists in a general way. I might say that wherever I refer to one building having raised rents, it applies to a great many of the other occupants of the building, and to a great many of the other buildings, and it is just not an isolated instance.

I will refer to several of those, among which we find a situation at 126 West Twenty-sixth Street, a tenant in that building in 1941 paid a rental of $1,100. In 1943 his rent was increased to $1,400. He got the same rental in 1944, which was $1,400. However, in 1944 his rental went up to $1,800. Now, his rental has gone up to $2,400. That is a jump from $1,100 to $2,400.

At 28 West Twenty-fifth Street, in 1941, we have a tenant whose rental was $2,200. In 1942 and 1943 his rental was $2,500. In 1944 it was $3,000. In 1945 his rental will be $4,500.

Another tenant, 109 West Twenty-seventh Street, in 1941 his rental was $1,500. In 1942 his rental was $1,600. In 1943 his rental was $1,900. In 1944 his rental was $2,200. In 1945 his rental will be $3,000.

Senator TAFT. Has there been a constant and certain rise per square foot of space?

Mr. MARMOLSTEIN. You mean per square foot of space occupied by the tenant?

Senator TAFT. Yes. Has there been any such thing as that?

Mr. MARMOLSTEIN. No, Senator. The unfortunate part about the entire situation is, and I am prepared to give you the information in detail, that in some of the buildings, as fast as the ownership changes hands from one owner to another, there is a greater increase in rent, and the rent is increased substantially in each instance.

Senator TAFT. I wanted to get your point of view as to whether there was a basis of so much per square foot.

Mr. MARMOLSTEIN. There is no basis per square foot.

Senator TAFT. No arrangement has been made as to the basis per square foot?

Mr. MARMOLSTEIN. No, Senator. Nothing like that has been done.

Senator TAFT. Then you cannot make a statement saying that the rentals have been increased from 30 cents per square foot up to——

Mr. MARMOLSTEIN (interposing). No, Senator Taft; if I may interrupt. You cannot.

Senator TAFT. Up to, say, 60 cents per square foot?

Mr. MARMOLSTEIN. No; you cannot do that. There is no such arrangement as that.

Senator TAFT. Why do you say that?

Mr. MARMOLSTEIN. Because comparable space in a comparable building in a comparable area, in some instances you will find one price and in the very next building to it you will find another price. Specifically, I can give you this information. Two buildings that, practically, I consider quite similar, except that one is a little larger than the other, but as far as the type of building, the type of service, modern type of building and so forth, the two buildings, as far as I can see, are similar, to all practical intents and purposes. I can give you the exact address. One is 270 West Thirty-ninth Street. There is a situation there where the tenant, in 1941—and I would like to pause right there to say that I would like to read all of these cases of the tenants in the building because they are not given the same or a similar rental arrangement.

In other words, it depends upon how strong or how weak a tenant may be when the landlord comes in to approach him for a lease.

I can go through several cases rather quickly.

In one case the tenant was paying $1,818 in 1941. Similar rent existed up until 1943. In 1944 his rent went up to $2,668. In 1945 his rent will be $3,840.

Another tenant in the same building, occupying a comparable and similiar unit, although probably a little smaller, was paying $1,812 in 1941, and in 1942 and 1943 his rent remained the same.

It might be interesting for you to note that the East River Savings Bank had that property in 1941 up to 1943 and in 1943 the building changed hands, and the rent went up from $1,812 to the figure of $2,012.

In 1943, the building again changed hands—the rental now is $3,212.

The CHAIRMAN. Speculators took possession of the building then; is that correct?

Mr. MARMOLSTEIN. Exactly.



In that same building, again, the rental on another space was $1,200 in 1941. In 1942 it was $1,500. In 1943 it was $1,812. In 1944 the rental went to $2,182, and in 1945 the rental went to $3,024.

In the same building again, one of the tenants had a rental in 1941 of $2,121.

The CHAIRMAN. This building changed hands in 1942?

Mr. MARMOLSTEIN. In 1942. The East River Savings Bank had the building. They sold it in 1943.

This rental in 1941 on this particular unit was $2,121. The same rental prevailed in 1942 and 1943. In 1944 the rental was $2,520. In 1945 the rental was $4,300.

Another situation in the same building——

The CHAIRMAN (interposing). You do not know whether it was the same tenant in each of these years?

Mr. MARMOLSTEIN. I do know that, Mr. Chairman. It was the same tenant. I might say that if it was not the same tenant I would not have any records of the previous year.

The CHAIRMAN. Proceed.

Mr. MARMOLSTEIN. In the same building, the situation of another tenant was this. He paid a rental of $3,600 in 1941. He paid a rental of $3,800 in 1942 and also in 1943. He paid a rental of $4,500 in 1944. He will pay a rental of $6,300 in 1945.

Another situation in that same building, a tenant paid $2,000 rental in 1941. He paid $2,200 in 1942, and also in 1943. He paid $2,550 in 1944, and in 1945 he will pay a rental of $3,960.

I would like to say that if you go to a building directly across the street, the same type of building, also owned for some time by an estate, operated on behalf of a group of charity organizations to whom this building was left by the estate, and the charity organizations sold out in 1943.

At that time a tenant who had been paying approximately $1,900 or $2,000 per floor, the arrangement is such that one tenant occupies a floor, and the rental now has increased to anywhere from $3,400 to $3,450 per tenant in that building.

The CHAIRMAN. Who owns that building now? Do you know?

Mr. MARMOLSTEIN. I could get you the name of the individual.

The CHAIRMAN. I am not inquiring as to the particular individual, but whether or not it was an individual or a corporation or a group that bought it.

Mr. MARMOLSTEIN. An individual bought it.

The CHAIRMAN. And up went the rents?

Mr. MARMOLSTEIN. Up went the rents. That is exactly it.

Gentlemen, if I could take the time, I could give you a great many of these, but I would like to submit this document later on for inclusion in the record.

The CHAIRMAN. You intend to submit that for inclusion in the record at a later time?

Mr. MARMOLSTEIN. I will forward that for inclusion in the record, if I may be allowed to do so.

Senator TAFT. Have you any figures on the profits of your members as to whether they have relatively increased in the past few years?

Mr. MARMOLSTEIN. Relatively; I do not have a record of those profits.

Senator TAFT. They do not report profits?

Mr. MARMOLSTEIN. They do not report profits to us, but I have, since our business is the type of business where we do not sell our commodity directly to the consumer, and we have also all sorts of control systems because of industry regulations placed upon us, by virtue of labor contracts, a pretty fair idea as to what our own people are doing and how our own people are faring in their business. And the situation is as follows, to the best of my knowledge: That our membership paid about 3 percent of their annual volume in rent up to 1943.

In 1943, on an average, we had an increase of about one-half of 1 percent of their rentals. Now, on a base over previous years of 3 percent we have had, on an average, an increase to 4½ or possibly 5 percent for rent on our annual volume. Perhaps I did not state that quite as clearly as I might; there has been, based on a perevious average about 3 percent of the annual volume being paid out in rent, they have had an increase of about 1½ to 2 percent additional rent applied to their annual volume.

We have had an increase in volume of approximately 25 to 30 percent.

Senator TAFT. What can you tell me about their profits? What are they doing in the way of profits?

Mr. MARMOLSTEIN. In the way of profits, I would not have any way of knowing what would be reflected except on the basis of their increased volume, and I do not believe there would be any profit that would be reflected otherwise, because ours is a fixed return. The fixed return is on that has existed ever since N. R. A. times in 1933.

In other words, we get an allowance over our cost, our labor cost, for service and profits to ourselves. That was fixed in the days of N. R. A., in 1933, and has never been modified to this very time.

In addition to that, we have had to absorb various increases in commodities that we have to purchase. We have been required to operate our factories at increased costs of one kind or another. We have had to absorb increases in labor and we have not been able to pass it on.

So, while you might take it that the proportionate return has kept pace with the proportionate volume, yet you must discount a certain amount of that as being profit due to the fact that we have had to absorb the higher costs of certain items which we have to purchase in our business, and other things which go to cut down the possible profit that we might make.

The CHAIRMAN. And rental, of course.

Mr. MARMOLSTEIN. And rental, of course.

The CHAIRMAN. N. R. A. was a good thing.

Mr. MARMOLSTEIN. I do not want to bring that up here. I want to thank you for the courtesies that you have extended me, and others of our group.

Senator BUTLER. I do not like to discourage Mr. Halperin, but in looking over, hurriedly, the testimony of the witnesses who have appeared, it is simply a repetition of what was given to the Murray Small Business Committee, and I think the O. P. A. hearings within the last 2 or 3 months.

You have not submitted anything that is new. And we have their reports before us in which they have decided that it was not a national problem, but that it was local, and ought to be handled by the State.



That is a remark that I want to make at this time, because you may be able to prove that it is a national problem, and if so, I would be glad to have you do so.

## ADDITIONAL STATEMENT OF HARRY J. HALPERIN, COUNSEL, JOINT RENT ACTION COMMITTEE, NEW YORK, N. Y.

Mr. HALPERIN. Mr. Chairman and gentlemen of the committee; you will recall, when I first started to talk, I said that whether there was an emergency today or whether there was no emergency today makes no difference in the need for this legislation.

It may be that we may not be able to present, to your satisfaction, any great change in conditions between what occurred 3 months ago and today.

But the fact remains, gentlemen of the committee, that in 1944, where new leases are negotiated, or where old leases expire, you are going to have increased demands, and you are being asked to legislate to prevent any other unjust increases in rents.

Just what are we asking you for? We are asking you to put us in the same category as all the other people in the country now stand.

Now, we intend to show you that things have become worse. We think that the record now shows that, up to this point, only have there been increases which are far in excess of 1941, in 1942, 1943, and 1944, but in addition, for 1945, which we didn't have before the committee when Senator Murray presided.

We now show you that because of the approach of February 1, 1945, new demands have been made in the face of and in spite of the increases which were enforced upon us in 1943, 1942, and 1941.

We have proved to you that it is obvious that these increases will go on and on every year whenever a lease expires, gentlemen, unless you give us this legislation.

That is what we say; namely, in 1944, we say we have an all-over picture of 40 percent to 50 percent increase. Now for new leases beginning February 1, 1945, and they will be increased to a much higher rate than those in the past, over what we have had to pay as of 1944.

In other words, and simply stated, there has been a tremendous increase up to 1944 of at least 40 percent of 50 percent in the rentals, and sometimes more. With the coming of February 1, 1945, there will be an increase which will be substantially above that, in some cases as much as 100 percent again. This presents a problem of the utmost gravity.

We now say that we believe we certainly should get the relief to prevent the landlord from coming in and asking for these exorbitant increases. They are simply out of the question.

One other thing we ask you to consider: Each time a building is sold—and we find this to be a fact—each time a building is sold, and before the new lease is signed, the new owner makes higher demands for 1945. Let me make that plain to you. A man's lease is going to expire on February 1, 1945. He has begun negotiations with whom he thought was the owner, and who was then the old owner, in June 1944, for a renewal of that lease. That owner has given him a figure. And he sends to the tenant a proposed lease, and the tenant signs the

lease at an increased figure for the period beginning in 1945; on February 1.

Here is where the difficulty comes. The landlord does not sign that lease, but he uses this group of proposed leases already signed by the tenants to show the new schedule of income to the prospective buyers of the building, and he makes a sale of the building to a new owner.

You might think that was the end of the thing. No, indeed; that does not satisfy the new owner. He tells the tenant that the old lease was not signed, the one that the tenant had signed with the old owner, but which the old owner had not signed with him, that that will not do, and that he must, instead of having his rent increased by 30 percent over 1944, it will be increased to 60 percent over that, or even 100 percent, and in some instances even more than that.

Now, if the tenant is fortunate enough to have a place to which he can move his plant, or some manner in which he can get out from under, he is in a very excellent situation, but that is not the general situation at all. Buildings are almost impossible to obtain. And that fact is well known, gentlemen, to the landlords.

So far the tenants, in general, do not have that, but if they were fortunate enough to have this relief, this law that we are asking for must be passed. I think the situation is clear to you. We have not had that relief so far, and I think that we have been more than justified in coming here and asking for it—the Committee on Small Business did not consider and it was not presented to them. Certainly in the past, and even today, we do not have the relief that we certainly feel we are more than justified in having now.

We say this to you in all sincerity, if you do not give us relief for today, at least give us relief for tomorrow.

Senator TAFT. Mr. Halperin, does this committee, I do not recall the name of it at the moment, that Mayor LaGuardia has, have jurisdiction over commercial rents?

Mr. HALPERIN. It has no jurisdiction at all over commercial rents.

Senator TAFT. Does it not have authority over office buildings and stores as well as lofts, or only over lofts?

Mr. HALPERIN. It so happens, Senator Taft, that at the time they were organizing—which was early in 1942—they were organized to and held hearings at the beginning when they only had the loft complaint. Later on, as I understand it, they got office complaints, and then store complaints.

But after people found out that the landlords would not submit to arbitration they started to lose hope of making any progress before the committee, although the O. P. A. itself as you heard this morning had the Pharmaceutical Society complaint, and the O. P. A. sent it up thinking that perhaps they could be of some help.

Some of these tenants do not know what to do. I can give you some names of some of the gentlemen who have been engaged in these things from the standpoint of the tenant, and I would like to give those names in private. I do not want to reveal them publicly, because they still hope to make a deal with their landlords, otherwise they must vacate, because February 1 is very close now. In other words, because their space has been let, and it has been let out right over their heads, and they have no other place to go, they are naturally very much concerned about saying anything about these things unless they know they will get relief, and unless they know they will



have some protection. Once this space is let to someone else over their heads, they are out of business, and they have no place to go and no business to operate. They come to me about these things all the time. I do not know what advice to give them, I am frank to admit.

It is not a question of bargaining. You go to them and try to bargain with the landlords and say to them, "How much do you want for this space?" and they come back at you and say, "Well, do you want this space? Take it or leave it." That is all there is to it. They state the figure that they want, and it is whatever the traffic will bear.

And if they think the tenant is earning enough profits the sky is the limit. They want to be partners with the tenant.

And, Senator Taft, when you speak about and make the suggestion as to the amount of profits above rent, and in comparison with the rent, I submit to you that the owners do not make good to the tenants when conditions are bad. We have to make good on our leases whether we earn a profit or not.

Senator TAFT. It seems to me that I remember in 1930 when the landlords had to settle for about one-third of the rent, and leases did not mean very much. Do you recall that?

Mr. HALPERIN. Yes, Senator. I remember that. That is the time, Senator, when the landlords got into trouble that way, and they dropped their property and the certificate holders in Chicago lost their money on the investments they made in New York mortgages.

The certificate holders—I think one of the companies was S. W. Strauss which sold certificates all over the country on mortgages on buildings that were dropped—were the ones that really lost their money; and the owners simply dropped them.

There is probably going to be some discussion here that there should be some sympathy for these landlords, the owners of the properties, and I say to you that such sympathy should be very slight.

I am talking now about business properties and not home properties. There is a very substantial difference in the approach to an investment in business property than an investment in property for a home. People who invest in commercial real estate, and history tells us that this is a fact, they do not ever consider that they are really ever going to pay off those mortgages, because they do this; they do not buy them in their own names, but in the names of dummies or corporations, to hold these properties and against which the certificates are issued. And look what has happened. After they dumped all of this real estate on the market, after they took the water out of all these properties, and where the mortgage has been brought down to the very bottom, or wiped out in many instances, they now come to you to reinstate the rents.

Senator TAFT. Nobody has been to me to reinstate anything.

Mr. HALPERIN. Senator, do not misunderstand me. I did not intend it that way.

Senator TAFT. Yes?

Mr. HALPERIN. They will be pleading with you here, I know it, and they are going to ask you to remember those times, or it will be suggested to you, or it might suggest itself to you, now, what are your profits? The tenants are not obliged to become partners or give their

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profits away to the landlords any more than the landlords are being asked to give their profits away to the tenants.

Senator TAFT. I am not suggesting that. I am only suggesting there would seem to be a relationship between the landlords' rentals today and the profits that the tenants are making today. If the tenants are making a great deal more, then there is probably some relationship there. There certainly was a relationship when the tenants were making much less, and the rentals had to be cut in half or even more. There is certainly a definite relationship between profit and rents. I do not say it is an official relationship, but there is some relationship.

Mr. HALPERIN. Senator, there definitely should be and in normal times there is, but we are going through abnormal times. And we ask for relief during abnormal times. If we cannot negotiate with the landlords, if they do not see fit to come to us, it seems to me that there should be some law to cover that situation. If I have the ability to go out, if he does not want me to stay in his property, at a fair price, if I have the ability to go out and rent property elsewhere, that is one thing; that gives an opportunity to negotiate on the part of both parties. That is not the situation today. Today the landlords know that you cannot move because there is no place to move to. No, it makes it entirely a one-sided proposition. That is due to the abnormal times that we have today. That is the reason we feel that there should be some relief given to us here.

Senator TAFT. And is the justification for that not in the fact that no more loft buildings can be built, that there is a very limited amount of building going on, and is that not the reason for that situation?

Mr. HALPERIN. Precisely. You have stated it, Senator, precisely. The Government is the one that stopped the building.

Senator TAFT. The war was responsible for that.

Mr. HALPERIN. Yes, Senator. We ask you that, when something is created by reason of the war, do not let us be the only sufferers. That is all there is to it, really. It is not a question of too much profits or too little profits, it is not a question of how much profits we are earning or how much profit the owner of the real estate is earning.

Another thing, in 1933, I believe it was, Senator, when the owners of commercial rents had their leases in somewhat bad condition, and they suffered certain losses at that time, they were able to protect themselves. They went to the legislature and got relief through the moratorium, whereby their obligations to pay the principal were frozen, and they were relieved as to that.

The rate of interest of those mortgages was frozen, and they got relief there, Senator.

Because I will say that the people who represent them kept them well organized and they managed to get relief when they needed it.

Before I leave I would like to read just one more thing which comes from the mouth of the executive vice president of the National Association of Real Estate Boards.

Senator TAFT. By the way, it would seem to me that you are speaking very largely of the condition which exists in New York City, which is not typical in the United States; that is, general relief of



owners of property and mortgages which was done on the scale on which it was done in New York, that was not approached anywhere else.

Now, this particular condition which exists and which we have heard about here, that is, this rent situation in New York City, it is somewhat of a unique matter and does not seem to be duplicated elsewhere. That is one reason I am asking about that.

Mr. HALPERIN. Senator, the State and the city did not bring about that condition; it is a whole country that brought about that condition, and it is a part of the war scheme, and I repeat, I think it is a national obligation.

Senator TAFT. I note that you are talking about the general condition. I do not know of any condition in the United States similar to this business of mortgage investments in New York City, or the general referendum that was created to ameliorate the New York situation. I do not think there was any such general moratorium, outside of the farm mortgages.

Mr. HALPERIN. Did not the Government give relief throughout all the country in connection with the matter of home-owners relief; did they not finance that and take them over from the banks, and prevent them, the people owning the homes, from losing them to the banks?

Senator TAFT. No; they went in primarily to relieve the home owners, and did a very good job, but it was solely in the interests of the home owners, and not in the interest of the banks.

Mr. HALPERIN. I know of many corporations who owned homes, and they rented them, who got the same relief as the people who resided in the homes.

Senator TAFT. Incidentally, it might have been, but it was not for that purpose primarily. That was not similar to the moratorium?

Mr. HALPERIN. It was not similar to the moratorium in every way, but it was in some.

The CHAIRMAN. We do not want to get into that subject.

Mr. HALPERIN. I want to read one thing, and I am through, unless you have some further questions, Senator. May I, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. HALPERIN. This is what the real estate people profess to believe, and this is the testimony of the executive vice president of the National Association of Real Estate Boards and, of course, I suppose it referred to dwelling control, or house control, but it reads this way:

> Our attitude summed up in a few words is simply this: We accept the necessity for stabilization of rents. We feel, however, that the operation of this program, involving as it does the control and use of privately owned property, should be made as fair, as just, and as equitable as humanly possible. We believe that tenants and owners alike deserve fair and impartial treatment.

I agree with that statement, and Mr. Nelson, who was the national vice president, whom I see here today, made that statement.

I want to call particular attention to the last part of that statement wherein he says:

> We believe that experience has demonstrated that the law should clearly and explicitly dictate the course as to how the program shall be administered.

Again, referring to the House regulations:

> Where hardship results we feel that every diligent effort should be made to modify that hardship.

We agree with that statement. And there is a further statement which I would like to read:

> We believe that injustice must be avoided in all cases. We believe the tenant and owners alike deserve fair and impartial treatment.

Now, all we ask them to do is to repeat that statement here today, insofar as it applies to commercial properties.

As he said then after the law was passed with regard to dwellings we feel they should say now with regard to commercial properties.

Now, they favor fair dealings with the tenants, are they or are they not of that opinion today? The tenants have been put into this position by reason of this war, and I think that they deserve fair consideration in the matter of commercial properties just as much as the matter of homes.

I want to thank you for the time that you have accorded me.

The CHAIRMAN. Mr. Schwab.

## STATEMENT OF HAROLD M. SCHWAB, REPRESENTING THE AMERICAN BUSINESS CONGRESS, NEW YORK, N. Y.

Mr. SCHWAB. Senator Wagner, and gentlemen of the committee: My name is Harold M. Schwab. I represent the American Business Congress, an organization of independent businessmen extending from coast to coast, with headquarters in New York. Our membership knows no trade or industry. It is composed of manufacturers, retailers and wholesalers and all fields of endeavor. It is a nonprofit organization and nonpolitical in its activities. Its purpose of existence is the protection of the small businessman and assistance to him in his fight to survive.

I would like your indulgence, I have quite a cold, and I am unable to raise my voice very much.

The CHAIRMAN. That is quite all right. I think, Mr. Schwab, you ought to tell us how many members you have of your organization, and something about it.

Mr. SCHWAB. Our membership consists of approximately 2,000 firms, business firms.

We are happy that the senior Senator from New York proposed S. 2176 so soon after his return to Congress and the opening of this session. It is high time that the Washington authorities take cognizance of the injustice to which businessmen the Nation over have been submitted since the enactment of price control legislation in 1942.

The American Business Congress does not come before this committee to ask that greater powers be granted O. P. A. We come instead to ask that a wrong be righted—to ask that a great inequity be corrected. We come to ask that Congress cancel the right of the commercial property owners to gouge and profiteer—and inflate profits and prices—to force small business out of existence by demands out of all reason and decency. We come to ask that Congress recall—through enactment of protective legislation—the exclusive franchise



it granted commercial property holders through failure to include commercial rents in the Price Control Act of 1942.

And now, with the attention of the Nation focused on this subject by this very hearing, we state that if you fail to take action, you will, by the very failure to act now, practically endorse every raise, every demand that has or would have been made by landlords throughout the country.

The situation will be more grave, gentlemen, after today than it was even before this hearing, because if the Senate Banking and Currency Committee does not act it will be endorsing what has been done so far by the realty groups.

We feel that we have enough evidence on hand to convince you gentlemen of the crying need for relief.

If one reads, listens, and sees, he quickly comes into possession of the very patent fact that owners of commercial properties are on the loose. I respectfully urge upon you gentlemen to give us legislation we need. Pass this bill and you will have plugged the great hole in the dike holding back a wave of inflation.

Certain specific cases deserve to be entered in the record of this hearing. In fact, they deserve their place in the annals of American business as glowing examples of the injustice which can be wrought by an oversight or omission by Congress.

At the close of this hearing I shall file with this committee a report analyzing rent cases in 170 buildings in Greater New York. These cases are not confined to any one area or district. They involve landlord demands extending from the Battery to the Bronx and include both Brooklyn and Queens. All tenants represented are engaged in industry ranging from the manufacture of hard goods to the manufacture and sale of clothing, electrical appliances, lamp shades, furniture, groceries, drugs, and so forth.

Many of the tenants described are engaged in war work. The rent cases listed in these 170 buildings by no means represent the only cases involved in those buildings. As a matter of fact, these 170 buildings alone house approximately 9,000 firms and each firm in each building, whose lease expires this year, is having its rent raised in a similar degree. Our experience proves owners do not pick isolated tenants for gouging tactics. They establish a percentage of increase—all that the traffic will bear—and they raise every tenant proportionately.

The survey which we have made was instigated by the contention of the New York realty interests that less than 2 percent of the commercial tenants in New York were affected by rent increases. We felt that that statement could not go unchallenged. As a result, hampered by the lack of adequate help, we have been able nevertheless to find sufficient representative cases to show that every owner of commercial realty in New York City has increased rent wherever and whenever a tenant's lease has expired.

As an example, let us take the building at 1370 Broadway owned by the Robert Hoe estate. Our personal contact with 12 tenants disclosed the following facts:

The annual aggregate rent paid by these 12 tenants in 1943 was $96,514. In 1944 these same tenants paid $133,825. They have now been forced to sign new leases totaling $195,850.

The increase to these 12 tenants alone in a 2-year period amounts to $99,336, or approximately 105 percent. In other words, they are today paying 203 percent of the rent which they paid in '42. The individual rent figures will be interesting.

The annual aggregate rent paid by these 12 firms in 1943 was $96,514. In 1944 these same tenants paid $133,825.

They have now been forced to sign leases totaling $195,850, an increase to these 12 tenants alone in a 2-year period of $99,336, or approximately 105 percent.

In other words, they are paying over 203 percent of the rent which they paid in 1942, as I stated before.

As these individual rent figures are of interest, I would like to give a few of them, which I think will be of interest.

Senator HAWKES. I should like to ask you a question about that. You have picked out 12 specific cases. Can you give the over-all?

Mr. SCHWAB. The over-all of all these?

Senator HAWKES. Yes.

Mr. SCHWAB. I think I have that. I got it from the real-estate agent that knows the figures.

I will take these figures here.

The firm Loomtogs, Mr. J. Schoenfeld, for 1943 his rent was $12,500, for 1944 it was $18,000. For 1945 it will be $24,700.

Senator TAFT. Does that mean a reduction?

Mr. SCHWAB. No. It was $12,000 for the year 1943, $18,000 for 1944, and $24,000 for 1945.

Senator TAFT. I thought you said $22,000 for 1943.

Mr. SCHWAB. I am sorry.

Take the next firm, Strauss, Inc., for 1943 they paid $11,200; for 1944 they paid $16,250; for 1945 they pay $24,400.

The next firm, William Gurian, for 1943 they paid $7,454; for 1944 they paid $12,150; and for 1945 they will pay $17,100.

The next firm, Rudley Sportswear, Inc., Mr. Geo. Petroff, for 1943 he paid $10,000; for 1944 he paid $11,875; for 1945 he pays $17,800.

The next firm, Jessie Underwear Co., Mr. H. Goldstein, for 1943 he paid $3,260; for 1944 he paid $4,375; and for 1945 he will pay $7,000.

Clover Blouses, Inc., for 1943 they paid $6,600; for 1944 they paid $8,125; and for 1945 the firm will pay $12,350.

We come now to the firm of Elias Sportswear. This is a rather interesting case. In 1943 Elias Sportswear paid $13,500. He was raised in 1944 to $17,500. Then the landlord demanded $32,000.

Mr. Elias is a man that will not, if possible, have somebody put something over on him. So, the landlord, knowing that he had him completely in his power, not telling him anything about it, went out and rented a 20-foot strip down the middle of Mr. Elias' floor and then came to Mr. Elias and said, "Now, I have rented a 20-foot strip down the middle of the floor. You can have the front and the back if you want it. So Mr. Elias was out-rented without his being given an opportunity of paying the $32,000 rent, and whether or not he will obtain new quarters I do not know.

The CHAIRMAN. What is the name of the owner of that property?

Mr. SCHWAB. The Robert Hoe estate. It is one of the oldest estates in New York and owns considerable property.



The next is the Wiener Blouse Co., Mr. H. Wiener, for 1943 he paid $6,000, then in 1944 he was increased to $7,500. In 1945 he was increased and will pay $10,000. That is almost double.

The Central Knitwear Mills, Inc., Mr. J. Kasper, in 1943 he paid $12,000. In 1944 be paid $18,000. Whereas in 1945 he will pay $24,000. You will observe that is exactly twice the amount he paid in 1943.

Take next the Mohawk Knitting Mills, Inc., Mr. Shaeffer. In 1943 he paid $6,000. In 1944 he paid $8,125. In 1945 he was asked $13,200. He was out-rented. The Hoe estate now gets $6,500, plus $9,000, or $15,500 for the same space.

The Smart Set Frocks Co., 1943, paid $3,000 for the space. In 1944 they paid $4,375, in 1945 they are to pay $6,000, which is exactly double that of 1943.

The Judy Kent Frocks in 1943 paid $5,000; in 1944 they paid $7,500; and an increase of $2,500. In 1945 they will pay $9,000, or $1,000 less than exactly double the rent they paid in 1943.

I repeat these are the figures for only 12 tenants. If we multiply the amount of increases which will be demanded of the other tenants, the over-all increase which the landlord will be receiving from the occupants of this building in 1945 over 1943 will be more than $210,000. Please pardon me if I dwell on these figures. I seek to make an adequate impression upon you and should like you to know that this is not a flagrant, extraordinary case—it is typical of what is happening in New York City, to my own knowledge, and in other cities, in accordance with information I have received. In 1943 the gross rental of this building was $223,649; this year it is $293,185; in 1945 it will be almost $440,000. I say "almost" because all of the lists are not in yet, and it may be, and probably will be, more than that.

It is a favorite practice in New York to walk in to a tenant and say to him, "Here is your lease, sign it now."

And if the tenant says, "Let me have a chance to look it over. Let my attorney look at it," the landlord will say, "Well, if you do not sign now tomorrow the rent is going to be $2,000 more." We have numerous occasions of that, and they can be substantiated. Of course, that is a very serious thing. They know that they can get away with it because there is no other place for these tenants to go.

Senator BUCK. Do you know whether these estates are operated by corporate entities or by individuals, the executives of these estates?

Mr. SCHWAB. The Robert Hoe estate? I am sorry, I cannot answer that question.

To continue:

What has this owner contributed to the economy to merit such an increase? Have his land taxes been increased? Quite to the contrary, they were reduced last year. Does he have to worry about vacancies? On the contrary there are none. Is he doing any repairs? No; W. P. B. does not permit him to spend any money, and he hides behind this as an excuse not to make them. Have his interest rates been increased? No; New York State gave him a moratorium and froze the rates that were existent in the middle thirties and that law is still in effect. To prove to you that this is typical of what is happening in New York and the extent to which owners are taking advantage of the war emergency, let me give you another example.

The building is known as 817 Broadway. In this building, tenant A, in the building 17 years, paid a rental of $900 in 1942. In 1943, he was raised to $1,050, and in 1944, this year, he was raised to $1,723. In all his 17 years in the same building, under the same management, this tenant has always met his obligations and was never before required to sign personal endorsements on the lease or to post security for its faithful performance.

Lo and behold! This year, in order to sign a lease effective February 1, 1945, at a rental of $2,700, just three times the amount paid in 1942, this tenant was forced to give not only his personal guarantee on the lease but to post a 3-months security as well.

Here is a unique situation—the landlord, by his demands for security and guarantee, confesses his knowledge of the exorbitance of the rent. He knows full well that if the present emergency with its high volume of sales in certain lines of industry were to terminate tomorrow and if this particular tenant's business returned to normal, the tenant could not possibly afford this tremendous rental increase and would be forced into bankruptcy. Consequently, he asks the tenant to assume the full burden demanded by his greed not only during these days of plenty but even after the return to normal conditions.

By the way, I did not mention that this was a 3-year lease at the $2,700, consequently, he asked the tenant to assume the burden by demanding not only an increase, but holds him with personal guarantees so that if there should be a drop in business, and the man could not pay that rent out of his normal income, he will be compelled to do so anyhow and he will not be able to go to the landlord and say, "I must have a reduction in rent." The landlord will say "you personally guaranteed this, and you must pay it." This is not a single extreme case, but there are many similar cases.

Another example is that of a tenant at 235 East Forty-second Street who was not only forced to pay an increase of from $2,600 to $4,500, but in addition was forced to submit to a monthly charge of $5 for fire-sprinkler inspection plus an additional $5 per month for the use of water. I might add that there is one cold water faucet and one toilet on the premises.

Still another case is that of the Service Trading Co. at 263 West Thirty-eighth Street, where the tenant was forced to not only submit to an increase in rent from $2,200 to $3,400, for a 3-year period but in addition was forced to pay the agent a check for $200 as commission, plus a $500 cash gratuity for the mere privilege of being allowed to remain in the building at an increase of a tremendous percentage in 1943. It is significant that the $500 had to be paid in cash. This is a most important matter, and I should like to dwell on that for just a moment or two.

In this case the agent came to this man, and I have his affidavit, and he said, "Now, the landlord, the owner, does not want you in the building, you are in this kind of business, and you see he wants a different kind of business in there, but if you will give me $500 I will use my influence to see if I can get you that lease."

We wanted to have the man arrested. We wanted to have somebody from the district attorney's office there with the cash, and have marked money in his pocket, and the tenant said: "If you do that and the landlord knows about this business, maybe the landlord knows about it, and if he gets sore where am I going to be? Where can I go? I



have a certain amount of operators that I can get here, and I cannot find any other people. I do not believe I can afford to take the risk, I would rather pay the money." And he paid it.

There has been some talk to the effect that this condition is local to the city of New York. This is definitely not a fact. With limited facilities we have been able to learn of rent increases ranging the country from coast to coast.

Attached to this brief is an affidavit recently made up for another purpose but nevertheless listing 15 serious rent cases in St. Louis, Wilmington, Atlanta, Buffalo, Waterbury, Wappingers Falls, Chicago,, Philadelphia, Beaver Falls, Pa.; Dallas, Burlington, and even Ybor City, Fla. In addition I would like to include a few more recent instances of national rent gouging as follows:

First: A. Jacobs & Sons, of 209 West Fayette Street, Baltimore, manufacturers of uniforms, whose rent has been doubled.

Second: The Cort Shoe Co., of Cleveland, Ohio, who advise us that they were forced out of a store in Toledo because of an increase from $300 to $450 per month and have now been notified that their rent in Cleveland will be raised from $275 to $350 per month, and their store in Warren, Ohio, will be raised from $275 to $325 per month.

Third: The firm of Godott & Gross, Inc., of 337 South Franklin Street, Chicago, who paid $275 a month in 1942, then were raised to $350 per month. Their present lease now expires and they have again been increased to $450—an increase of approximately 60 percent over their 1942 rent.

Fourth: The Philadelphia Clothing Manufacturers Association informs us that where leases are expiring, landlords are increasing rents anywhere from 10 to 25 percent.

Fifth: The Royal Electric Supply Co., of Philadelphia, had their rent increased from $3,500 per year to $5,250 per year.

Sixth: The Philadelphia Coat and Suit Manufacturers Association lists five members who have been increased—two of them 50 percent and the other three, 25 percent.

Seventh: The Henry W. Checket Co., of 412 North Eutaw Street, Baltimore, advises us that their leases up to now called for a payment of $4,800 per annum. They write "we have been forced to renew a lease for the same occupancy at an annual rental of $8,500—an increase of 77 percent."

Eighth: Harry Panitz Co., of Baltimore, raised from $2,000 per annum to $5,000 per annum.

Only Tuesday of this week four cases were phoned in to us by a Philadelphia lawyer. They involve four of his clients, two of whom he could name, and two who refused to allow the use of their names.

One was the Winsome Frock Co., at Eighth and Sansom Streets, Philadelphia, which was raised from $50 a month to $200 a month. The reason they did not object to the use of their name is that they no longer fear their landlord. They have been forced out of business. Just couldn't afford the rent and couldn't find other space.

Another case was the J. White Republican Club operating a tap room in Philadelphia. They were raised from $900 a year to $4,000 a year and were also forced to move.

Senator TAFT. Was that because they thought they would make more money this year?

Mr. SCHWAB. I do not think so. I might add that they operated a tap room, as I said, under that name.

The other two cases involve a chain of hosiery stores, one raised from $6,500 a year to $12,000 a year with a 5-year lease demanded in Trenton, the other store being raised from $11,000 to $19,000 in Philadelphia.

These are but a few of the many cases on record and copies of their communications to us are now being made and will be supplied this committee within the next few days.

With all of this indisputable evidence, it is safe to assume that the condition cannot be attributed to one section of the country. As admitted by the Real Estate Board, it is caused by the old law of supply and demand. The business acumen of the landlord in New Orleans or Minneapolis or San Francisco is just as sharp as that of the New York property holder. The fact that an avalanche of complaints have not poured in from other sections of the country is due to the inherent fear of every businessman of retaliation by his landlord. This we find has been the case in New York, where we make our headquarters. It is fair to infer that it exists all over.

I might say that at the end of my statement we have two witnesses here who would like to testify for about 2 minutes each. They have come down from New York to tell you what happened to them personally.

The CHAIRMAN. It is our desire to finish as close to 5 o'clock as possible.

Mr. SCHWAB. I will endeaver to do so.

Since this is not the first hearing on this subject we have already learned the defense of the real-estate interests. By now we know their thinking and we find it utterly irrelevant. Firstly, they will tell you that they had an increase of operating costs.

In answer to that let us charge before they even make the statement that the fact that they now enjoy full occupancy as compared to many vacancies during the period preceding the war more than compensates them for whatever increased operating costs they now experience.

In addition, may we definitely charge that in the great majority of buildings service has been curtailed, elevators have been shut down, night service has been eliminated, additional charges have been made for water and janitor service, no repairs or redecorating is being done, and so forth. Why, then should rents be increased from cellar to garret at a total cost of thousands to the tenants in order to compensate the building operators for a very slight increase in the cost of coal or oil or other supplies amounting to mere hundreds?

Their second and prime reason for opposing any form of legislation which will curtail their now exorbitant profits is the fact that in 1928–29, during a period of great national prosperity, when business was good and was not limited by Government restrictions on material or profits, some of these buildings and lofts enjoyed even higher rentals than they do today.

Then came the great depression and many vacancies existed in most buildings. Firms dropped by the wayside and as a consequence the landlords were forced to greatly reduce rents in order to keep their tenants not only in the buildings, but actually to keep them in business.



"Now," says the real-estate man, "is the time for us to recoup the losses we sustained in 1930–1941." "Now," he continues, "under our congressional franchise to operate without restriction, is the time for us to profiteer and inflate and get back some of our losses." But he completely overlooks the fact that businessmen as well sustained severe losses during that depression period and that Congress, in a justifiable and highly necessary effort to prevent inflation, froze the prices of all business men and said to them, in effect, "you shall not profiteer and regain your losses at the expense of the public."

In addition, the realty interests also conveniently overlook the fact that in a great preponderance of cases, owners of record during the depression period have long since passed out of the picture. The buildings were taken over by life insurance companies and banks at foreclosure. New owners now control them at vastly reduced costs. These new owners have no back losses to make up—and still they cry that they must raise rents 50 percent, 75 percent, 100 percent in order to get a fair return on their investment.

That, gentlemen, is the case of the realty owners, and I leave to your sense of justice and fairness whether or not they should be permitted to continue as the one privileged class of businessmen in the entire country permitted—not by act of Congress—but by omission of Congress—to inflate and profiteer without restriction.

The New York office of the American Business Congress will submit to this committee upon its request several thousand petitions to Congress and survey sheets showing rent increases from 1942 to 1945, terms of the lease, names of the agents and other pertinent information, each petition and each questionnaire signed by the tenant in person.

At this point I would like to read a letter which was sent to Senator James E. Murray of the Senate Small Business Committee, Washington, D. C., on November 27, 1944, in which I said to the Senator—I am sorry I do not have an extra copy of the letter here—the following:

We have just made a study of Senate Committee Print #6, report of the Special Committee concerning the problem of commercial rents dated October 1944. This report was just received in this office during the week ending November 25.

We understand that your committee will be asked to testify at hearings on the Wagner bill, S. 2176, before the Senate Banking and Currency Committee on Thursday, November 30. Since we are not at all in accord with the findings of your committee, we hasten to give you the following facts in the hope that whoever testifies for you will consider new evidence and consequently not oppose the Wagner bill—now so badly needed by small firms throughout the country.

As the problem relates to New York City may we advise you that the figures submitted at your hearing of June 19 by Commissioner Platzker representing the city of New York will be materially revised when his testimony is given at the Wagner hearing. The percentages indicated by Mr. Platzker were bad enough at the time but reflected only the increases experienced by tenants with leases expiring January 31, 1944. Since that hearing, leases expiring January 1, 1945, have been negotiated and the preponderance of increases instead of being between zero percent and 50 percent will be found to be in the bracket between 51 and 150 percent. In other words, increases in '40, '41, and '42 were nominal. Then space became tight and the increases jumped proportionately.

Page 4 of your report indicates the belief of your committee that the "proper source of relief would seem to be State governments." This, in itself, is a surprising statement. At no time has the Federal Government suggested State control of prices on any commodities during this war emergency. When it was found necessary to freeze housing rents, State governments were not consulted.

We did not consider the authorization to the Office of Price Administration by Congress to control commercial rents as an extension of the powers of the Office of Price Administration. In our opinion such an authorization would merely mean the correction of a great injustice—the correction of an equity created through the omission of such power in the original Price Administration Act. State governments would have to create entirely new bureaus in order to administer local laws whereas the Office of Price Administration is at present organized to control rents in designated areas and an extension of their authority would not add a material new burden.

The survey by the Department of Commerce and Smaller War Plants Corporation which seem to form the basis of the report are wholly misleading. Even though "it is significant that each of these agencies operating independently of the other comes to substantially the same conclusion" recognition must be given the fact that the survey made by each agency was made through the same channels and was therefore wholly biased.

In New York, where no one can contest the fact that a startling and vicious condition exists, the real estate board blandly denies the fact that rents are being raised abnormally. As recently as 2 weeks ago their representatives made a statement at a hearing of the State investigating committee to the effect that rents in New York are being raised a mere 5 percent or 8 percent and this only in isolated cases where speculators have obtained control. On the other hand, we are prepared to prove that there are thousands of cases of rent increases ranging up to 200 percent and higher; that unconscionable additional terms are being demanded and obtained such as long leases; large cash bonuses; personal endorsements on leases never before demanded; large deposits of security never before demanded; and additional payments for "insurance," "sprinkler inspection," "use of water supply," and so forth.

Therefore, when the Department of Commerce report indicates that in Atlanta they "talked with the Atlanta Chamber of Commerce, Atlanta Real Estate Board and several real estate agencies" and when they state that in Boston they discussed the question with the "Boston Real Estate Exchange and two leading industrial brokerage firms" and in Buffalo, Charleston, Jacksonville, Kansas City, and so forth, they consulted only with real estate agents while in Chicago they obtained their information from the National Association of Building Owners and Managers, what type of answer could they expect to get?

The Smaller War Plants Corporation report is evidently not a survey but merely a report of complaints received from individual offices. Of course, they do not have records of many complaints. Businessmen know that the Smaller War Plants Corporation does not control rent and would therefore have no reason to make complaint to that office. As a matter of fact, our experience has shown that most businessmen, upon receiving a raise, consult their attorneys, and, upon learning that the Office of Price Administration is without control, assume that nothing further can be done. The majority fear reprisal from the landlords and do not dare make complaint.

However, the Smaller War Plants Corporation does indicate that in New Orleans "75 percent of the plants contacted that had short-term leases are having to negotiate new leases at increases of from 100 to 400 percent." In San Francisco they claim that 40 percent of the small plants report no increase. However, they do state that there is a shortage of manufacturing buildings and that the only way a new business can be established is to buy the building. With such a condition in existence, can anyone doubt that rents are being raised—or will be raised—if no restricting law is enacted. In Detroit the report frankly states that industrial rents have increased approximately 50 percent in general since 1941 and that choice space "has brought some rental increases to 300 percent over 1941 levels." The report goes on to state "premiums have been paid in many cases to secure necessary suitable areas." Again in Seattle the report states "a survey shows no unreasonable increases in business rentals." Industrial rentals are very competitive because demand is over supply throughout most of this region. The two statements do not agree. If demand is over supply then a full survey is bound to reveal large increases in commercial rents.

Frankly it is our opinion that both surveys and report were rather loosely thrown together. Many conflicting statements appear and much emphasis is apparently placed upon statements which should be considered irrelevant. Since the testimony was submitted in June and since the surveys were made in the summer months the entire picture has changed and for proof of this we refer you to the forty-third semiannual survey just completed by the National Association of Real Estate Boards and made public November 26. This report cites



conditions given by members boards and experts throughout the country. It indicates—

"That 66 percent of the reporting cities showed sales volume heavier than in 1943"—because of increased rents commercial buildings now make better investments and are in greater demand.

"That a shortage of retail space was found to have developed in one out of every four cities.

"That sales prices for central business property were up in 51 percent of all cities.

"That business property leases were being made on higher rents than in 1943 in one-third of the cities.

"That the larger cities show the most pronounced uptrend with many business firms taking additional space for post-war expansion.

"That office space was higher in price and in occupancy in many communities.

"That 20 percent of the reports indicate high rents for office building downtown quarters—since office building leases do not expire until May 1, this trend will not become apparent for another 60 to 90 days.

"That a shortage of retail space exists in more than 25 percent of the reporting cities.

"That almost half of the cities between 100,000 and 500,000 population have developed a shortage."

From this report of the real estate interests themselves it is apparent that the condition is not confined locally to New York City but is national. Such being the case it is definitely a problem for Office of Price Administration control.

Thus, it is our sincere hope that your committee will reconsider its findings as contained in the October report and that your representative in testifying before the Senate Banking and Currency Committee will recommend and urge support for S. 2176.

In closing may I briefly review the condition—

All businessmen today operate under price ceilings even including owners of dwellings in defense areas. Owners of commercial property are the sole exceptions and are taking advantage of the fact that practically no commercial space is available in many cities.

This statement is corroborated by the report of the National Association of Real Estate Boards made public November 26. The report states conditions given by the member boards and experts throughout the country. It states "that a shortage of retail space was found to have developed in one out of every four cities."

Tenants cannot move because of W. P. B. restrictions and wartime conditions.

Tenants lack city, State, or Federal protection against rent increases.

Consequently landlords are demanding exorbitant rent increases running as high as 200 percent on top of rent increases of 20 percent to 40 percent last year and the year before.

Again we refer for proof of this statement to the report of the National Association of Real Estate Boards which states "that business property leases were being made on higher rents than in 1943 in one-third of the cities." That almost half of the cities between 100,000 and 500,000 population have developed a commercial space shortage and that the larger cities show the most pronounced uptrend with many business firms taking additional space for post-war expansion.

Demanding long term leases.

Throwing out small tenants, altering floors, and taking in new tenants at tremendous increases. Thus, countless firms are being forced out of business as they can not find suitable space in which to operate.

Agents are demanding cash bonuses running as high as $1,000, and are playing one tenant against the other, renting the premises to the highest bidder.

As a result—

Countless firms are being put out of business.

Other firms are being forced to move out of the city.

Wholesale evictions will take place.

Thousands of firms will be forced into bankruptcy if even a slight depression follows V-day. They cannot absorb these tremendous increases for long period under normal or depressed business conditions.

Thousands of workers will be forced out of jobs.

Once more we repeat that the legislation we seek must not be deemed an extension of greater power to O. P. A. Instead it should be considered merely the correction of an inequity and the giving of power which should have been granted in the original act. Nor do we ask that commercial rents be frozen throughout the United States. All we urge is that O. P. A. be given the same powers it now enjoys in relation to housing rentals. That the Administrator be given the right to freeze and control commercial rents where and when he finds such control necessary. If this control is necessary in one city or only in five cities then, at his discretion, he would limit the application of the law to those particular areas alone.

Federal control of commercial rents is most urgently needed. Even though conditions as serious as those now experienced in New York have not yet manifested themselves in many other cities, we urge that they will soon become apparent unless restrictive legislation is quickly enacted.

Gentlemen, I would like to add just one more point, if I may, and then I would like to ask for 2 minutes each for the next two witnesses.

The CHAIRMAN. If you do not use all of that time.

Mr. SCHWAB. I am going to stop here except to answer just one thing that Senator Taft has made mention of, and that is about the matter of profits.

I think if we take all of the cases, or any case as an example of some of these 170 cases which we are preparing to give you today as part of our record, if we take one of those——

The CHAIRMAN (interposing). Do you mean now, if I may interrupt you, on the matter of profit?

Mr. SCHWAB. Sir; not on that. I have no information on profit, but I have 170 cases, we picked out 170 buildings at random, and, taking 1 tenant from each building, and taking the amount at that time that they were paying, we found that in 1942 170 were paying $473,000. In 1943 they were paying $504,000. In 1944 they were paying $592,000. In 1945 they will pay $819,000, which is an increase of over 70 percent.

Senator TAFT. The figures on the corporations as a whole show that they made a profit; taking 1940 as contrasted with 1944, their net profit increased more than 70 percent; is that not so?

Mr. SCHWAB. I cannot tell whether that is quite correct. That is quite possible.

Senator TAFT. You are claiming partly that the real-estate owners profiteer and want the profit you are making; and I think it is material to ask whether there is something to that and just what the situation is.



Mr. SCHWAB. I would like to call your attention to a situation here, for instance, at 45 West Eighteenth Street, where the rent was raised from $13,500 to $30,000.

Now, when that man moved in, in 1938—he has been in the building about 6 years—when he moved in, he moved in at a rental of $11,000, and that was what he could afford to pay for his normal business. But now, with the circumstances beyond his control, he has been forced to sign a 10-year lease at $30,000. I do not believe anybody here would care to guarantee that the war is going to last for 10 years and his profits are going to keep up at that rate. Will you guarantee that, Senator Taft?

Senator TAFT. No, indeed.

Mr. SCHWAB. We all hope it will not.

Senator TAFT. If he thought so, he must have, if he signed that lease for 10 years; otherwise he would not have signed it.

Mr. SCHWAB. No, sir; he was not in a position to do otherwise than sign the lease.

Senator TAFT. That may be an isolated case.

Mr. SCHWAB. No. That is not an isolated case, sir. You will note, if you will observe here, you will note there are many cases where the tenants had to sign a lease for a very long period of time, and they know they are going to go into bankruptcy if something does not happen that will take care of it.

Senator HAWKES. I would like to ask this question, which was asked before, and I do not believe I have had an answer to the question: If you take these cases here and they are all grouped together, would you get a picture of the over-all increase in rents in New York City? Would that show the places that you have touched upon, as well as the over-all coverage for New York City. We know that we can pick out isolated cases which will not show a true picture.

For instance, we were told this morning that those who owned property and held it for a long time and were not in the speculator class had been very fair with their tenants. Have you got all of the various districts and all of the various people in your reports so as to give a clear over-all picture?

Mr. SCHWAB. In this report they are all in.

Senator HAWKES. What does that show as to the average?

Mr. SCHWAB. Senator, I do not have, unfortunately, that information. I do not have the total figures on that.

Senator HAWKES. You know you can always pick up some people who misbehave in any industry any place on earth. We are talking about the whole picture, and that is what I would like to get.

Mr. SCHWAB. We would be very glad to supply it later on.

Senator HAWKES. Commissioner Platzker made the statement that the old-time real estate agents were not quite as bad as the speculators. In fact, he did better than that. He said they behaved themselves very well.

Mr. SCHWAB. I know he did, Senator Hawkes, but I cannot agree with that when I am aware of such things as have come to my attention. You must understand, of course, that Commissioner Platzker is more or less in a public position. As a commissioner he may not be able to talk as freely as he would like to. I do not depend upon the

State or any Government to support me, and I feel that I am able to give you the facts as I know them.

When I read such names as Adams & Co., Bing & Bing, and others of these companies, I think Senator Wagner will bear me out that they are old-time firms, and we have given the names of the agents and we have given in our lists here cases of these people all up and down the line, because we wanted to make this as a cross section, and therefore, we are trying to make it as broad as possible.

I should also like to present at this time a few remarks on behalf of the Associated Fur Coat & Trimming Manufacturers, Inc.

The Associated Fur Coat & Trimming Manufacturers, Inc., which is a New York membership organization composed of 750 individuals, copartnerships, and corporations engaged in the manufacture of fur-wearing apparel, employing approximately 15,000 persons, joins all the supporters of the above bill introduced by Senator Wagner, which has for its objective the control of all rentals for business establishments.

The members of our association are confined to an area known as the fur market of the city of New York, which is roughly limited on the south by Twenty-fifth Street, on the north by Thirtieth Street, on the east by Sixth Avenue, and on the west by Eighth Avenue, and in addition to those establishments operated and maintained by the members of our association, there are many other fur-manufacturing and dealing establishments also conducted in this area.

A canvas conducted by us among our members so situated, reveals the fact that landlords in this area, apparently acting in concert, are demanding that leases, to be renewed, shall contain provisions for extended terms, at largely increased rentals, and some of our members have already been compelled to accept renewals of their leases on these bases.

It appears that whereas the common renting practice, heretofore in this industry, has been established on the basis of leases running for 1 year or sometimes 2-year terms, landlords now insist, as a condition precedent to renewal, that the terms of such leases shall be for periods ranging from 3 years upward, and the rental levels provided for in such proposed extension or renewal leases reflect increases ranging from 8 percent through 50 percent over current rentals, and that the average of the increases so demanded, in a partial survey which we have just undertaken, is 30 percent.

It must be perfectly apparent from these figures that owners and operators of industrial properties located in the fur area are taking advantage, either individually or in concert, of the fact that no form of rent control of properties of this nature has been undertaken up to this time, and are seeking to secure to themselves, through the device of long-term lettings coupled with excessively high rentals, the advantages which they can now secure to themselves by reason of a shortage of premises suitable for the purposes of this industry which prevails at the moment by reason of curtailment of construction growing out of the war emergency. By so doing, obviously, they hope to retain these advantages against the time when lessened national defense and war effort demands would otherwise bring an end to this condition.

Accordingly this association, on behalf of its members, respectfully urges Congress:

First, that it adopt Senate bill 2176, introduced by Senator Wagner.



Second, that rent control should be extended to include industrial buildings.

Third, that industrial rentals should be frozen at existing levels.

Fourth, that landlords shall be restrained from exacting long-term extensions or renewals of existing leases.

And now we have Mr. Rosenblatt, whom I would like to present just for a minute.

## STATEMENT OF A. J. ROSENBLATT, OF ROSENBLATT FROCKS, NEW YORK CITY

Mr. ROSENBLATT. Mr. Chairman and members of the committee, my name is A. J. Rosenblatt, and I am a contractor for dresses, or was.

The CHAIRMAN. And you live in New York?

Mr. ROSENBLATT. Yes, Mr. Chairman. I happened to be in this building where I was for 17 years, and I have been a very desirable tenant in that building. I have paid my rent on time for a very long time.

And then one day I received a letter from my landlord that my lease was no longer to be renewed. I started in to look for a new loft, and it was impossible for me to get one. I went up to the landlord and I asked him whether or not he would tell me why did he do that? And he said, "Well, I want to put my building on a better standard. I do not want any more contractors."

I said, "Mr. Settle, do you realize that I am a man of more than 60 years of age? You are not putting me out of the loft. You are putting me out of business. I still have a family and myself to support. So what am I going to do? I cannot get a loft."

He says, "What am I to do? Am I to keep you myself all of your life and in my building?"

I said, "Well, you should remember that I wanted to get out of your building a long time ago, and your father met me and he raised every objection he could think of to me going out of the building. It was different then. He told me not to look for any other building. He did not ever want me to leave, and he made every possible argument why I should stay.

He said at that time, "I want you, I want you because you are a desirable tenant. I want desirable tenants like you in my building."

I said to him, "I am going to work on cheaper dresses, and I must add more space." He said, "Do not worry about that. I have a vacant loft next to you, and I'll tear down the partition and let you have that space also. I will give you that unit next door. I will give you more space, and I will give you a reasonable rental," which he did.

Well, gentlemen, this was the way it went, then, around 1942 I was raised $300, so that it was $1,900. And then I was raised to $300 more in 1943, and then $400, and in 1944, $3,000.

Now, I have to go and get out of the building, and when I went to him he said to me, "Mr. Rosenblatt, you have some influential friends, and they have called me up to see what I can do for you. And I tell you what I am going to do, I am going to try to find you some space elsewhere, and if there is any compensation to it, I want to be fair about it."

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One day the agent comes up from the building and says, "I have a loft for you, Mr. Rosenblatt, come, I want you to see it."

And we went walking down Eighth Avenue and he said to me, "This loft is going to cost you $2,500 to get this loft, in cash," he told me it would cost me that much before I even got the loft itself. I did not say anything, whether I will give it or not, because I wanted to see what it was. So, I said to him, "What is the rent for this loft going to be?" And he said, "It is going to be $2,500."

I said, "Well, here we have this little loft here, and where can I put my machinery? I have a plant of 62 machines, and it took me 17 long years of my life slaving like a dog to get this machinery together. I can only put in here 10 machines."

He said, "Well, do not bother me. That is not my worry how you are going to do that."

I went again to Mr. Settle and he said, "Mr. Rosenblatt, I cannot do anything for you. I have nothing I can do for you."

Finally I found a loft on Twenty-fifth Street, but it is no good to me because my girls would not go over there. And the agent wants $500 to get the lease for me. I went up to Mr. Settle and I said, "Mr. Settle, I have a chance to get a loft and the agent wants $500 to get it for me."

And he said, "What of it?"

"Well," I said, "you are taking me away, making me go away from your premises, and I think you should help out on this."

He said to me, "You have taken my name and plastered it all around. You have fixed up this thing before the A. B. C. outfit, and I have gotten a lot of bad publicity, and with all of this publicity that you have given me now, you want me to give you $500?"

We just happened to have a pamphlet which said something about landlords and it gave his name, his name happened to appear in that pamphlet. He said, "You are not going to get a buck."

Well, I knew I had nothing more to lose by what I did there. I looked at his fathers' picture on the wall and I said, "Do you know who that man is there?" And he said, "Yes; that is my dad."

I said to him, "Mr. Settle, you have rolled a long way from that group that brought you into the world, that you do not worry at doing a thing like this, but you certainly do not resemble very much those from whom you came."

And he got very mad at that. And he said, "Get out. Get out. Get out." And he threw me out of the place.

Now, I do not know what to do. I do not know whether I will have to pay $500 to the agent, and then it will cost me $3,000 to move. And I do not have any employees who will go away over there.

What is happening to me is not something to me alone. That is what is being done in New York to many people. Seventeen long years I have slaved there to build up my business. I am not a rich man. I am a contractor. And you gentlemen who are familiar with the dress industry know that, especially in the popular lines, it is a very seasonable industry, working 4 months, we have to make in 4 months enough to exist on for 12 months.

I am faced with the problem of paying out $500 to get the loft, $3,000 to move, and then a very high rent of around $3,000 a year after I get in there. I do not know what I can do. I know I cannot do that, so I am out of business.



The CHAIRMAN. What happened to the loft?

Mr. ROSENBLATT. I have not got it yet, the man wants $500 to get it for me.

The CHAIRMAN. What happened to the loft where you are now?

Mr. ROSENBLATT. They rented it, without asking me anything about it. He did not ask me for any increase. He just wrote me a letter and said that he had rented it to somebody else.

Senator HAWKES. Do they have the same type of business in there?

Mr. ROSENBLATT. No. He has rented that to a chain outfit. They have several stores, and they make that their office and stock room.

The CHAIRMAN. Do you know how much more he is paying?

Mr. ROSENBLATT. I do not know how much more he is paying, but he has not only out-rented me, but there are five tenants in that building, and he has out-rented me and my neighbors on my right and my left.

He took them away, took that space away from them, and that space was at the option of this chain outfit, and he rented the other two units, but it just so happens that they did not want two of the units, or he would have let them have the whole building, I suppose.

As to this matter, it just happened that I stopped him to make me some explanation and he said, "I am not going to give you anything, especially for the publicity." I said, "I did not give you any publicity. You have taken the publicity yourself."

I thank you very much, gentlemen, and I hope you can help us out some way.

The CHAIRMAN. Mr. Shapiro.

## STATEMENT OF J. IRWIN SHAPIRO, REPRESENTING THE UNITED POPULAR DRESS MANUFACTURERS ASSOCIATION, INC.

Mr. SHAPIRO. My name is J. Irwin Shapiro, 51 Chambers Street, New York, N. Y. I am speaking for the other witness, because he is presently engaged in negotiations with his landlord, and he is afraid that if his name is given out now, it might interfere with it. I will give his name to the committee, off of the record.

I might state that I represent the United Popular Dress Manufacturers Association, Inc.

In connection with this witness who was to testify, and speaking for him, I can say that this is his situation, and it is the situation of the other tenants in this same building.

In 1942 his rental was $1,500. In 1943 it was increased to $1,800. In 1944 it was increased to $2,100.

His lease expires January 31, 1945, as do all the leases in the neighborhood, and they now want $5,500. So then from the year 1942 to 1945 you have an increase from $1,600 to $5,500.

This is not an isolated instance. I have collated here some 50 such cases, which I would like to discuss, but due to the lateness of the hour, I will leave them with you with the thought that I speak for those men, and they are members of the association which I represent. They are what is known in our industry as contractors. They are not in the big money. They call themselves "manufacturers" but they are really foremen. They do not work on a manufacturer-to-consumer basis, but they work on a fixed overhead of 30 percent which covers the original cost of their machinery, keeping it in repair, rent, and

various other matters which go to make up overhead, the labor cost itself being paid for by the manufacturer. This 30 percent is paid to them to cover their entire overhead and whatever is left is their profit.

Now, when the O. P. A. came in they were frozen at 30 percent. When the workers were given an increase the O. P. A. went so far as to say that the contractor could not get the 30 percent on the increased rate, but must take that on the old schedule.

These men are not manufacturers, they are in the small money class, they are really foremen. That is what I want to emphasize. That is what they really are.

When they are increased from $1,600 to $5,500 in a space of 3 years, at a time when they are doing their best to carry on, it simply means that they cannot stay in business. They cannot stay where they are with the loft situation as it is, they do not have any place left to go in the city of New York.

As a matter of fact, if it were possible for a man to move out of the area into some other area, he simply could not keep his workers because they would not go with him, but that is academic, because, in the city of New York, there is no place available to them.

I am going to leave this list of names with you. If something is not done about this, it simply means that on January 31 a great portion of them will be forced out of business.

Senator HAWKES. What is this United Popular Dress Manufacturers Association?

Mr. SHAPIRO. United Popular Dress Manufacturers Association, Inc., is a membership corporation organized and existing under the laws of the State of New York and having its offices at 450 Seventh Avenue, in the Borough of Manhattan, city, county, and State of New York.

Its membership totals over 700 all of whom are contractors engaged in the manufacture of dresses within the environs of Greater New York and the very great majority of whom have their places of business within the territorial confines of the city of New York.

In behalf of its 700 members, United Popular Dress Manufacturers Association, Inc., vigorously urges upon the committee that it at once throw all of its prestige behind immediate enactment of legislation—whether Federal, State, or local—providing for stabilization of commercial rents in the city of New York.

The experience of the members of this association indicates that we are dealing with a run-away situation which must be immediately curbed if small businessmen, such as they are, are not to be completely destroyed and driven from business.

Well over one-half of our members have been and are being compelled to pay substantial increases in rental. These increases have run all the way up to 100 percent of the former rental.

By way of illustration, we may note the following as typical examples: One concern formerly paying $125 per month is now paying $243.75, an increase of 95 percent. A second concern, formerly paying $125 per month, is now paying $247.75, an increase of 98 percent. A third concern, formerly paying $60 per month, is now paying $95, an



increase of 58 percent. A fourth concern, formerly paying $130, is now paying $200, an increase of 54 percent; and a fifth concern, formerly paying $70, is now paying $100, an increase of 43 percent.

These illustrations might be multiplied many times, but they will serve to indicate the undeniable trend toward almost unbelievable increase in rental. Certain it is that these increases are but the beginning of an upward swing which must be checked by legislation, since the avarice and cupidity of most of the landlords apparently knows no bounds.

Where the landlord is ashamed to ask an inordinate increase in rent, he simply requires the tenant to remove from his loft and then lets the same to a new tenant at a greater increased price. Of course, the tenant who has been thus evicted must, in turn, pay a substantially increased rental to his new landlord, assuming, of course, that he is lucky enough to find new quarters at any rental however high, so that the end result is that the tenant is caught in a squeeze whether he stays in his old loft or moves to a new one.

By way of illustration, may I refer to the case of one of our members who, after 17 years of satisfactory tenancy in a single building, has now been told that he must move because the landlord has, without negotiation of any kind with him, rented his loft to another tenant. The result of this action on the part of the landlord can only be the financial extermination of the tenant who, notwithstanding many weeks of effort, has been unable to find any usable loft space. The member to whom reference is made is A. J. Rosenblatt, doing business as Rosenblatt Frocks at 370 West Thirty-fifth Street. Mr. Rosenblatt's plight has been directed to the attention of Commissioner Platzker by a communication dated September 25.

Upon the basis of the experience of our own members fortified and reinforced by those of others which have come to our attention, we are convinced that this matter cannot be handled through the voluntary self-restraint of the landlords. On the contrary, we are convinced that the only solution to this problem lies in enactment of legislation fixing the maximum boundaries of commercial rentals. Thus and only thus will all owners of commercial buildings be brought under governmental control; thus and only thus will power to enforce decision be vested in an agency qualified to exercise that power.

The members of this association are subject to Maximum Price Regulation No. 172 issued by the Office of Price Administration. Their income is accordingly definitely limited by law. However, with the present situation as to rentals, no like limitation is imposed upon their expenses. Under such circumstances, they can no longer hope to exist.

The one certain remedy is in the enactment of legislation controlling commercial rentals. We respectfully urge upon this committee that it immediately throw its influence behind prompt enactment of such legislation. We remind the committee that the hour is growing late and that the day is fast approaching when relief will have proven in vain since almost all of the loft leases expire on January 31, 1945, we look forward with confidence to speedy and corrective action by your committee.

## STATEMENT OF S. HOWARD IMBREY, COUNSEL, NATIONAL WOMEN'S NECKWEAR AND SCARF ASSOCIATION, INC., NEW YORK, N. Y.

Mr. IMBREY. Gentlemen of the committee: For the fifth time I am appearing at a public hearing as a representative of a large body of tenants in commercial buildings in New York, to ask help for legislation which will prevent the uneconomic, un-American, and cruel practices of owners of these buildings in taking advantage of a situation brought about by the war, in an attempt to benefit their own pockets, with complete disregard of whatever other effect it may have on others or their businesses or even on the war effort.

In discussing this matter with my conferrees the other day, I made the suggestion that psychologically those hearing arguments pro and con, were most affected by particular cases of hardship, especially where sympathies would normally be aroused to the extent of causing a reaction which would require the doing of something immediately that would put a stop to such actions.

However, because of the shortness of time allotted I must perforce be brief and cannot pick out one or two cases which are deserving of the utmost consideration on your part, when I have a large number of such cases. The formula is about the same in nearly all. Concerns have been in business a number of years, they have geared themselves up to a particular amount of business and a particular overhead upon which their prices have always been based. Then the O. P. A. came along and put a ceiling on their prices so that they could not raise them no matter how the increase in cost of labor or materials would decrease their net profits. These increased costs they have had to observe and have done so and have tried very hard to do enough volume to overcome these losses.

Now, along comes the landlord, increases their rent to such an extent that in many cases it has resulted in a deduction of a substantial amount from the net profit.

If he goes out of business, naturally his employees are out and dislocated, and must seek other jobs in business that are less familiar to them and their earning power is often reduced accordingly.

If he decides to move elsewhere, he finds that it is, of course, impossible to get anything within the confines of the city of New York, or even nearby in the State of New York, so he goes to other States but there he finds that the trend has already caught on and that rents are almost as high proportionately as in New York. All this comes of lack of space and increase of demand for space, of which the landlord is taking such very excellent advantage.

Furthermore, if he does find a place, whether in the city or out of it, and wants to move, he is confronted with the fact that the W. P. B. has made certain regulations which prevents his getting any fixtures or machinery so that it is practically impossible to install a new factory in another building. The necessary changes to be made in setting up the shops make it impossible to move without getting the proper licenses.

Thus, as I have often remarked, the tenant manufacturer is crushed between the upper stone of the O. P. A. price ceilings and the nether stone of W. P. B. regulations along with the scarcity of space.



Added to the wrongs that the owners are doing in taking advantage of the impossibility of the tenants to refuse high rentals no matter how inordinate, the tenants are required to sign a longer lease than they had ever before been accustomed to, in order that the landlord may be sure that no matter what change the post-war will bring, their high rents will roll on just the same.

It is a favorite argument of the owners that the rents have been low for many years and they should be permitted to recoup some of their losses. While there is an element of truth in the fact that rents were subnormally low up to about 1940, since that time rents had been raised yearly so that by 1942 fair rents were again being received by the landlords and it is these rents which should be regarded as normal.

Furthermore, in most instances it is not the landlords who are now raising the rents who suffered the losses, because in a very large percentage of the cases those landlords now asking for the greatest increases and the longest terms only recently acquired the property or perhaps within the last year or so. This raise gives them the opportunity to get back in 1 year almost all of the cash they put into the building because in most instances the buildings are acquired with a minimum amount of cash the properties being heavily mortgaged. Those owners can get out their money, make a handsome profit within the next 2 or 3 years and then, if conditions change so that the tenants can no longer pay these high rents, they will drop these properties like hot potatoes, and conditions will prevail similar to those which existed in the early thirties and their escutcheon will bear the coat of arms showing the same owners astride a jackass rampant, the jackass, of course, being the mortgagee who in the end will, of course, suffer as he did in those same years and the real-estate market will again go into the doldrums, resulting in loss to everyone, including the city, county, State, and Government from the tax angle.

Another one of the arguments used by the real-estate interests who lobbied so prodigiously in the State legislature against any State action and won, is that the present tenants are doing a greater volume of business than they ever did before. That may verily be true, but with their greater volume of business circumscribed as they are, they may in many instances be making very much less money, particularly those who conscientiously follow the price and labor regulations. The others will find that these regulations will catch up with them in time and they, too, will not benefit from any increased volume.

I am filing herewith a list showing a cross section of the membership of the National Women's Neckwear and Scarf Association, which has complained about rent gouging.

I have only taken about 20 of the cases and there are many times that many, this being just a cross section of the industry. I have not chosen the worst in each instance, simply showing what raises are being asked in the ordinary situation. But these are not the worst cases, the worst ones are those where the landlords have decided that they will not permit the tenants to remain even if the tenant is willing to pay 3 or 4 or even 10 times the rent. These tenants are in a horrible position. They cannot stay, and getting out means closing up. If something is not done immediately about this a large number of concerns will thus be annihilated.

(The above-mentioned list of cases appears at the conclusion of the statement of the witness.)

While my industry is an accessory industry and does not do war work, I have been told of cases where this has happened even though war work was being done. It will be too late to remedy these situations after dispossesses have taken place.

Most of these leases expire at the end of January. Many tenants are making desperate arrangements and moving to places totally unfit to house them, even temporarily, because they do not know what else to do and are trying to remain in business. Something must be done and done very quickly to remedy this situation.

The giving of power, by Congress, to the O. P. A. to freeze commercial, as well as other rents, in such areas as the O. P. A. shall find require freezing, and giving the O. P. A. discretion, so that where some increase is justified it may be obtained, will have a very salutary effect all over the country, and Congress will be thrice blessed by thousands upon thousands of these tenants who now look with hopeless eyes into the very near future.

*Commercial rents (New York City)*

| Name | 1942 | 1943 | 1944 | 1945 |
|---|---|---|---|---|
| Levine & Nackman Co., 575 8th Ave | | $1,300 | $1,800 | $3,000 |
| B. J. Loeb Co., 16 West 36th St | $1,200 | 1,400 | 1,400 | 2,000 |
| D. Kissen & Co., 33–35 East 21st St | | 2,012 | 2,512 | |
| Engel Bauer & Co., Inc., 49 West 37th St | | | 5,750 | 8,250 |
| Do | | 1,350 | 1,627 | 1,700 |
| Sam Roscher & Co., 54 West 21st St | | 1,440 | 2,000 | |
| The Specialty House, 63–65 West 36th St | | | 3,300 | 4,800 |
| H. Hammerschlag, 39 West 32d St | | 3,100 | 4,100 | |
| Rosenthal & Hallel, 16–18 West 22d St | | 900 | 1,375 | (1) |
| Superior Hemming & Stitching, 16–18 West 22d St | | 945 | 1,550 | 1,910 |
| Usatch Bros., 16 West 36th St | | 1,800 | 2,200 | 3,000 |
| Braunstein Manufacturing Co., 37 West 37th St | | 1,500 | 1,800 | 2,200 |
| I. J. Nethe & Co., 12 West 37th St | | | 2,700 | 3,300 |
| G. Mesaros Co., 15 West 36th St | | 1,800 | 2,400 | |
| Martin H. Singer, 10 West 37th St | | 1,080 | 1,500 | |
| Premier Neckwear Co., 29 West 36th St.: | | | | |
| 1938–40 $1,500 | | | | |
| 1940–42 1,650 | | | | |
| 1942–43 1,800 | | | | |
| 1943 2,400 | | | | |
| A. Rosen, 535 8th Ave | | 1,900 | 2,800 | |
| Roth Manufacturing Co., 22–24 West 38th St | 1,500 | 1,500 | 1,800 | |
| Timely Accessories, Inc | | | | (2) |

[1] 20 percent increase.
[2] 25 percent increase.

## STATEMENT OF AARON H. EINGOLD, REPRESENTING EASTERN WOMEN'S HEADWEAR ASSOCIATION, INC.

Mr. EINGOLD. Honorable sirs, since the first public hearing held at Albany, N. Y., in March of this year on a commercial rent-freeze bill, I've been in a whirlpool.

The downtrodden realty owners with crocodile tears insisted that any legislation to control commercial rents belongs to the Federal authorities, not to the State.

Then at a hearing in Washington, July 14, called by the Small Business Committee of the Senate, these same real-estate owners insisted that it is a local problem, which should be acted upon by the State of New York and not by Washington.

Hearing No. 3. The City Council of New York called a public hearing to determine whether it should recommend a commercial rent bill. The same and able attorney for the Real Estate Board, who appeared



at the other hearings, suddenly wrapped himself in the Constitution of our country. "Its unconstitutional, the city council has no right to pry into private business," and so forth, and so forth.

Hearing No. 4. The Legislature of the State of New York appointed a fact-finding committee, this body held a public hearing the early part of September of this year. This same and very able attorney appeared—phrases beautifully worded, no, no figures, words, then lo and behold, a claim, in his opinion, only 5 percent of business property in New York is being gouged, and only by speculators, not by the people he represents. If, as you say, Mr. Attorney, then agree to a commercial rent-control bill.

Another able realty operator appeared at the September hearing, under oath tried to prove that the increases to his tenants are only 50 percent. He very conveniently forgot to mention that his tenants paid rental increases in 1942, '43, and '44, and now an additional 50 percent increase.

Oh, yes, during the lean years of the 1930's, when the economic structure of this country was tumbling, because of such people, down came assessments, down came taxes, down came wages, down came the purchasing power of our country, he reduced rentals, he was the only one who lost money. No; no one else lost money, examine the records. You will find that many, many merchants lost everything during these lean years, and to this day are helpless, but the realty people are still around and making hay while the sun shines, as the saying goes.

In 23 West Thirty-eighth Street, on the seventh floor, occupied by four firms the total annual rental is $2,300.

I quote from a conversation with a Mr. Bondy, of Williams & Co., agents of this building:

> Mr. Eingold, I know these people cannot pay a total of $5,000 for the loft, because the increase would be too great for them. I'm sorry.

What is this realty operator sorry about? Is he sorry that he, in his mind, concluded that the present tenants cannot pay the terrific increase, therefore without notification to the present tenants he rented the loft to another, or is he sorry that these people will be put out of business and into the street February next? Yes; they must close down their plants, there isn't a loft to be found.

The following is a listing of buildings and percentages of increases. I shall read but a few:

Location, 16 West Thirty-sixth Street, percentage of rental increase from 1942, 100 percent.

Location, 16 West Thirty-sixth Street again, percent of rental increase from 1942, 111½ percent.

50 East Ninth Street, increase 300 percent.

722 Broadway, increase 300 percent.

102 Bleeker Street, increase 200 percent.

220 Mercer Street, increase 114 percent.

431 West Twenty-eighth Street, increase 340 percent.

Right again, they are making hay while the sun shines. Our records show that about 50 percent of our membership do less than $75,000 in sales annually. Now the landlord's in many instances increased the annual rentals to such an extent that the increase is greater than the amount of money these members take home for their families.

Because of the impossibility of locating any lofts around the millinery area, it became a "do or else" notice within a 48-hour period to sign the new lease. No more 1-year leases, now it is 3- and 5-year leases, plus paying for steam by the tenant, paying for painting by tenant, which heretofore was absorbed by the owners, and in some buildings the service elevators usually operated to 8 or 9 p. m., normally, now the service shuts down promptly at 6.

Gentlemen, it is a must, yes, we must have commercial property regulations.

At present the real-estate operators are surely the privileged few of our country. No O. P. A. to keep them in line, nothing, they are out to get all and are getting it, until you, gentlemen, put a stop to this rent gouging, and place commercial property under O. P. A. regulations so that small business may exist.

I would like to read to you one of the questionnaires which we sent out to be sent back to American Business Congress, which I think is important. [Reading:]

1. Rent paid, 1942, $100 per month, and heat, plus $35 for steam.
4. Present, 1945, asking price $250 per month, plus extra.
5. Lease requested for steam and heat, beginning March 1, 1943, 3 years.
6. Square footage of space 6,000.
7. When first moved in January 1942.
8. Length past leases, 1 year with option.
9. Signed lease yet: No.

Remarks: Former landlord, Meeker Bros. Mr. Moses Michael purchased property about a year ago.

(Signed) BERT N. NATHAN, *Treasurer.*

Firm name: Sport Hart Co. of America, Inc.
Address: Meeker's Lane, Danbury, Conn.
Kind of business: Ladies' hat manufacturers.

I would also like to read to you this advance release from the Office of Economic Stabilization, in part, wherein it says:

Judge Fred M. Vinson, Economic Stablization Director, today issued the following statement:

"Mr. Williams H. Davis' report on the cost of living index presents a careful, thorough, and disinterested survey of the subject. The conclusions which Mr. Davis has reached do not differ significantly from those of the Bureau of Labor Statistics; and they are supported by the overwhelming weight of impartial and expert evidence. The minor differences between Mr. Davis' conclusions and the Bureau's index relate almost entirely to matters not sufficiently precise to be measured by an official index."

Naturally, I am gratified at this confirmation of the general belief that a good job has been done in stabilizing wartime prices and living cost.

We cannot afford to relax our efforts. So long as the war absorbs half of our national production, we must hold prices at their present level in order to preserve the purchasing power of the worker's pay envelope. Wherever our present price and production controls are too lax, as in the case of textiles and clothing, we must tighten them.

I am frankly disturbed to note that, after a year of complete stability, the cost of living has risen slightly but perceptibly during the past 6 months. This must stop. The Price Administrator and I will use special vigilance to this end.

Meanwhile we must plan to meet the changes with which VE-day will put us face to face. We must put consumer goods from our reconverted industries on the market at prices low enough to provide mass markets and full employment. We must have a wage policy to provide workers with earnings high enough to buy the products of our expanded and reconverted industries. Wage and price policies geared to expanded output and high employment will insure high and staple profits for free American enterprise.

Our price and wage policies must aim for economic stability in war, a goal of 60,000,000 jobs and a high national income in peace.



(The following tabulation was submitted for the record by Mr. Eingold:)

TENANT LOCATION AND RENTAL INCREASE FROM 1942

| | Percent |
|---|---|
| 16 West 36th St | 100 |
| 28 West 36th St | 88 |
| 28 West 36th St | 61½ |
| 16 West 36th St | 111½ |
| 38 West 37th St | 56 |
| 19 West 38th St | 71 |
| 23 West 38th St | 100 |
| 23 West 38th St | 60 |
| 25 West 38th St | 100 |
| 35 West 38th St | 50 |
| 39 West 38th St | 50 |
| 42 West 38th St | 60 |
| 57 West 38th St | 100 |
| 417 5th Ave | 53 |
| 32 West 39th St | 55 |
| 38 West 39th St | 80 |
| 54 West 39th St | 66 |
| 62 West 39th St | 86 |
| 25 Waverly Pl | 59 |
| 124 Wooster St | 67 |
| 430 Keap St., Brooklyn | 50 |
| 5 East 3d St | 80 |
| 17 West 3d St | 100 |
| 59 East 4th St | 70½ |
| 50 East 9th St | 300 |
| 56 East 11th St | 110 |
| 133–5 Greene St | 100 |
| 583 Broadway | 81 |
| 594 Broadway | 54 |
| 649 Broadway | 195 |
| 649 Broadway | 74 |
| 683 Broadway | 95 |
| 684 Broadway | 79½ |
| 693 Broadway | 140 |
| 714 Broadway | 120 |
| 722 Broadway | 300 |
| 729 Broadway | 140 |
| 734 Broadway | 82 |
| 102 Bleecker St | 200 |
| 197 Greene St | 86 |
| 30 Great Jones St | 54 |
| 220 Mercer St | 114 |
| 40 West 37th St | 85 |
| 135 West 17th St | 90 |
| 13 West 36th St | 58 |
| 53–57 West 36th St | 38 |
| 5 East 37th Street | 33⅓ |
| 39 West 37th St | 25 |
| 37 West 37th St | 42 |
| 48 West 37th St | 29 |
| 49 West 37th St | 33⅓ |
| 63 West 38th St | 30 |
| 63 West 38th St | 33⅓ |
| 70 West 38th St | 40 |
| 10 East 39th St | 36 |
| 1 West 39th St | 41 |
| 55 West 39th St | 26 |
| 55 West 39th St | 25 |
| 65 West 39th St | 42 |
| 347 West 39th St | 31 |
| 231 Mercer St | 46 |
| 29 West 4th St | 60 |
| 596 Broadway | 38 |
| 185 Mercer St | 33⅓ |
| 35 West 31st St | 42 |
| 120 West 31st St | 100 |
| 154 East 32d St | 70 |
| 25 West 36th St | 39 |
| 25 West 36th St | 100 |
| 7 Great Jones St | 80 |
| 28 West 39th St | 33⅓ |
| 39 Bond St | 95 |
| 49 West 38th St | 110 |
| 55 West 39th St | 26 |
| 55 West 39th St | 58 |
| 55 West 39th St | 25 |
| 49 West 37th St | 82 |
| 49 West 37th St | 25 |
| 49 West 37th St | 30 |
| 49 West 37th St | 31½ |
| 42 West 39th St | 31 |
| 5 East 37th St | 50 |
| 39 West 37th St | 53 |
| 37 West 37th St | 33⅓ |
| 1 West 39th St | 33⅓ |
| 1 West 39th St | 66⅔ |
| 1 West 39th St | 35½ |
| 1 West 39th St | 60 |
| 65 West 39th St | 46 |
| 65 West 39th St | 27 |
| 65 West 39th St | 33⅓ |
| 65 West 39th St | 25 |
| 65 West 39th St | 38½ |
| 65 West 39th St | 27½ |
| 65 West 39th St | 32 |
| 65 West 39th St | 40 |
| 65 West 39th St | 50 |
| 65 West 39th St | 62½ |
| 28 West 36th St | 93 |
| 30 West 36th St | 114 |
| 16 West 36th St | 100 |
| 16 West 36th St | 121 |
| 23 West 38th St | 100 |
| 57 West 38th St | 58⅔ |
| 57 West 38th St | 44 |
| 57 West 38th St | 85 |
| 57 West 38th St | 42 |
| 22 West 57th St | 33⅓ |
| 32 West 39th St | 118 |
| 32 West 39th St | 57 |
| 54 West 39th St | 66⅔ |
| 54 West 39th St | 78 |
| 54 West 39th St | 50 |
| 54 West 39th St | 30 |
| 60 West 39th St | 54 |
| 62 West 39th St | 44 |
| 62 West 39th St | 64½ |
| 25 Waverly Pl | 93 |
| 30 Great Jones St | 54 |
| 40 West 37th St | 60 |
| 40 West 37th St | 76 |
| 40 West 37th St | 60 |

TENANT LOCATION AND RENTAL INCREASE FROM 1942—continued

| | Percent | | Percent |
|---|---|---|---|
| 40 West 37th St | 81 | 165 West 26th St | 82 |
| 118 West 22d St | 67½ | 145 West 27th St | 180 |
| 129 West 22d St | 67 | 431 West 28th St | 340 |
| 119 West 23d St | 38 | 45 West 29th St | 78 |
| 38 West 26th St | 57 | 21 West 30th St | 33⅓ |

The CHAIRMAN. The committee will recess until tomorrow morning.

(Whereupon, an adjournment was taken until 10:30 a. m. Friday, December 1, 1944.)

(The following statements were received for insertion in the record:)

THE DENVER ASSOCIATION OF BUILDING OWNERS AND MANAGERS,
*Denver, Colo., November 30, 1944.*

CLERK, BANKING AND CURRENCY COMMITTEE,
*United States Senate, Washington, D. C.*

GENTLEMEN: It is the intention of the Denver Association of Building Owners and Managers to present to the committee evidence, testimony, and information bearing on, and in opposition to, S. 2176 relative to commercial rent control at the committee's hearing this day, November 30, 1944.

When advised that S. 2176 was being introduced in amendment form by Senator Wagner for the purpose of imposing rent-control restrictions on business, store- and office-building properties, this association and its members, both singly and collectively, have resolved to forward to the committee information calculated to show that the extension of rent-control restrictions to commercial property is at this time unnecessary, unwarranted, and unfair to owners of property insofar as rental conditions in this general locality are concerned.

When advised that the National Association of Building Owners and Managers was being granted a hearing in order to submit evidence intended to show that commercial rent control is not, and will not be, necessary this association made an effort to contact as many of its members as possible in order to obtain as much information as possible regarding the local rental picture, most of which we believe will confirm the figures submitted by the National Association of Building Owners and Managers in other testimony.

Particularly we believe that Denver, by reason of its participation in the war effort and by reason of the fact that its population has increased from a pre-war figure of 325,000 to a present figure of more than 400,000, is a representative example of what is happening to commercial rentals nationally under wartime conditions. If there were a national necessity for commercial rent control at this time, it is our opinion that existing conditions in Denver, in view of its wartime activities, would reflect a good and fair illustration of that need, if it existed. On the contrary, however, the extent to which rentals in Denver business properties have risen during the past 3 to 5 years despite the considerable wartime activities, is practically negligible, as will be shown in the following classifications:

*Store rentals.*—A survey has been made as of November 28, covering 148 downtown retail store establishments, selected at random from among properties handled by leading property management firms here in Denver, where information on a comparable basis between 1939 and 1944 was readily available. These figures show that the gross rental being derived from these stores, as of August 1, 1939, amounted to $22,300 per month, or an average of $150.67 per store. As of November 1944, these same 148 stores were bringing a gross monthly rental of $23,182, or $156.63 per average store—an increase over the past 5 years of 3.9 percent. We wish to advise the committee that the shortness of time only has prevented us from providing figures and statistics on all downtown properties, but we can give assurance that the sample used represents an unprejudiced and typical section of retail establishments and the resultant average is entirely and completely representative.

*Office buildings.*—During the past 4 years the occupancy in Denver office buildings, taken as a whole, has risen from 88 percent to 96 percent, or an increase of 8 percent, due principally to an increased number of Government tenants that have come into Denver since the war started. There is still, however, in nearly all buildings some space available and the average tenant in renewing his lease under present conditions in a Denver office building, has been able to find comparable quarters elsewhere if he has not been willing to pay the moderate rental increase which many landlords have requested in recent years.



In the absence of over-all statistics covering all Denver office buildings, we are submitting below figures which have been taken from three principal property management firms here in Denver, pertaining to nine of the main Denver office buildings, and representing approximately 20 percent of the space in Denver so classified. All of the illustrations shown below represent typical situations and have in no way been hand-picked for special purposes.

No. 1: Republic Building, a medical building and the largest commercial office building in Denver, on November 1, 1941, was 95 percent rented at an average of $2.24 per square foot, and on November 1, 1944, although the rental rate had been increased by 10 percent to $2.48 per square foot, the vacancy in the building stood at 10 percent, or a loss of 5 percent in occupancy.

No. 2: Three commercial office buildings managed by Horace Bennett & Co., containing a total of 148,540 square feet, show an increase in rental schedule from the end of 1942 to the present date of 12½ percent. Insofar as some of this schedule is represented by vacant space, the actual additional amount of money being paid by tenants now over and above 1941 rents, is something less than 12½ percent.

No. 3: Five principal office buildings managed by Van Schaack & Co., containing a total of approximately 270,000 square feet, show increased income for the first 10 months of 1944 over and above the same period in 1941 of 9.5 percent, but it should be noted that some of this additional income arises from increased occupancy and Van Schaack & Co. figures show further that the increase in the rental schedule paid by tenants currently is only 6.4 percent in excess of the rent paid by these same premises in 1941. Furthermore, for these same five properties, three of which contain high-pressure heating plants, the operating expenses, including all costs except debt charges, have risen 22.5 percent due principally to the increased cost of labor and fuel.

Compared to the increases in the various properties referred to in the above list, and the average increase of 3.9 percent previously referred to in 148 store properties, we note that data published by the United States Bureau of Labor Statistics shows that the rent item, 1 of 7 items composing the Bureau's cost-of-living index, is now 8 percent above the 1935 to 1939 level, commonly regarded as normal, and this, of course, applies to residences and living units now under rent-control law. Other items making up the Bureau's cost-of-living index, such as clothing, has increased 38.6 percent; house furnishings have increased 38.4; food has increased 35.7 percent; and the total cost of living according to the Bureau has increased 25.4 percent up to June 1, 1944. By contrast to these, our records show that increased rentals in Denver business properties, particularly in view of sharply increased operating costs, have been held to a very conservative minimum, and in the absence of any rent-control legislation, and in a free and uncontrolled market.

We respectfully request the Committee on Banking and Currency to seriously consider this information and these figures, which we believe are typical at least of our region, and we strongly urge that the proposed amendment by Mr. Wagner to the present rent-control law be disapproved.

Very truly yours,

DENVER ASSOCIATION OF BUILDING OWNERS AND MANAGERS,
By THOMAS B. KNOWLES, *Vice President.*

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THE MARITIME ASSOCIATION OF THE PORT OF NEW YORK,
*New York, N. Y., November 28, 1944.*

S. 2176; To amend the Emergency Price Control Act of 1942, as amended, with respect to the control of rents for business accommodations.

COMMITTEE ON BANKING AND CURRENCY,
*United States Senate, Washington, D. C.*

GENTLEMEN: The Maritime Association of the Port of New York organized in 1873 embraces within its membership of 1,200 practically all the steamship owners and operators, shipyards, piers, wharves, and warehouse owners and other allied interests.

While the spirit of this legislation, in its desire to prevent abuses, must be regarded as in the public interest, as the bill now reads, it is believed to be too all-embracing in that if enacted into law its provisions would apply to piers, terminals, and immediately adjacent warehouse properties which was not intended since such properties are in their nature differentiated from the average run of

business properties. These piers, terminals, and warehouses are subject to periods of comparative inactivity due to the fluctuation of business conditions during which time they are maintained at considerable loss and any inclusion of these properties in the provisions of this legislation would be accompanied by disastrous results, especially so during the wartime conditions now prevailing. It is believed that this measure having its inception in the correction of abuses which have prevailed in limited sections in New York City should not, in order to correct these abuses, be extended to properties such as referred to concerning which no abuses have been encountered.

The water-front properties in all areas of the Nation have been and are intensively serving war purposes.

Respectfully,

C. H. CALLAGHAN, *Manager.*

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STATEMENT, FOR THE RECORD, OF COMMERCIAL RENTAL CONDITIONS IN ROCHESTER, N. Y., MADE BY RALPH R. BORCHARD, ON BEHALF OF THE BUILDING OWNERS AND MANAGERS ASSOCIATION OF ROCHESTER, N. Y.

GENTLEMEN: The Building Owners and Managers Association of Rochester, N. Y., represent a majority of the office-building area in the city and have a vital interest in this proposed amendment to place ceilings on commercial rents and bring commercial space under the control of the area rent director.

A survey has been made of 12 office buildings, comprising a total area of 698,000 square feet of rentable office space. On January 1, 1942, 134,700 square feet of this area was vacant. On November 1, 1944, 114,000 square feet of this area was vacant. This is an increase in occupancy in the last 3 years of only 20,000 square feet area. On January 1, 1942, the same building had an occupancy by United States Government tenants of 21,500 square feet. On November 1, 1944, the various Government agencies occupied 54,000 square feet of area. This is an increase of Government occupancy of 32,500 square feet. By combining these figures, these buildings show a decrease in civilian tenancy during the last 3 years of more than 12,000 square feet of space.

Four other office buildings surveyed as of November 1, 1944, make the totals for 16 buildings as follows: Total rentable area, 911,900 square feet; occupied, 760,800 square feet; vacant, 151,100 square feet; Government occupancy, 54,000 square feet.

While such a vacancy exists, there can be no exorbitant rental increases effective in our city. If one building decided to embark on such a program, the tenants would find space elsewhere at reasonable rates and such an owner would be confronted with an unprofitable building.

Office rental rates in Rochester range from as low as 80 cents per square foot to a top of about $2.60 per square foot. The highest-priced space shows the lowest percentage of vacancy. The average-priced buildings show the highest percentage of vacancy.

In view of the increased cost of operating and maintaining office buildings, rental increases are justified whenever and wherever the demand will permit such increases. The average cost of operating office building space in the city of Rochester, not including insurance, real-estate taxes, and depreciation, is $1 per square foot of rented area. Including insurance, real-estate taxes, and depreciation, the average cost per square foot of rented area is $1.62.

These figures show conclusively that there is no necessity in Rochester, N. Y., to place rental ceilings on office building space to protect tenants from unscrupulous landlords.

In these 20 office buildings there are a total of 62 ground floor retail stores; 58 are occupied and 4 vacant as of the present time. Of the 58 occupied stores, the owners report that 47 of them are at the same rental as that charged at the beginning of the war; 3 are temporary tenants at rentals below current prices; 11 have increased during the last 2 years.

There is no indication from the present trend in Rochester, N. Y., that the demand for post-war space requirements will be sufficient to in any way interfere with the cost of occupancy of tenants engaged in war work.

Many office buildings in Rochester have been operating for the past 10 and 12 years at a loss. Only one or two have shown a reasonable margin of profit and the remainder have struggled to break even. The cost of operating has increased 9 cents per square foot since 1940.



For the aforestated reasons, the Building Owners and Managers Association of Rochester, N. Y., are unanimously agreed that it will be unwise and unfair to pass this amendment and thereby put ceilings on commercial rents. They do not believe that the cost of such action can be justified by the results that could be attained. They are sure that the figures shown by their survey of conditions in Rochester prove beyond a doubt that no such protection for tenants is required and they believe that Rochester is typical of other cities generally throughout the United States.

Therefore, we request that you do not approve this bill, S. 2176, to amend the Emergency Price Control Act of 1942, as amended, with respect to control of rents for business accommodations.

RALPH R. BORCHARD.

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STATEMENT, FOR THE RECORD, OF COMMERCIAL RENTAL CONDITIONS IN ROCHESTER, N. Y., AND VICINITY, MADE BY RALPH R. BORCHARD, ON BEHALF OF THE REAL ESTATE BOARD OF ROCHESTER, N. Y., INC.

GENTLEMEN: The Real Estate Board of Rochester, N. Y., Inc., comprises a membership of more than 200 people representing the interests of both tenants and owners of all types of real estate. Most of the members are tenants and many of them are owners of commercial property.

In Rochester, N. Y., there has been no change in the demand for either retail or other commercial space, nor in the rental asked by the owners of such space, that would in anyway justify or indicate the need for Government control for commercial rentals and the placing of ceilings thereon.

In the principal downtown retail section, which, in Richester, includes an area on Main Street East of about two blocks (from South Avenue to Clinton Avenue South); Clinton Avenue South, two blocks; Clinton Avenue North, one block; and East Avenue, one block; there are very few vacancies and rentals have increased in some instances affecting chain stores and local retailers whose volume of annual business exceeds $250,000. There is a tendency on the part of owners to ask higher rentals on lease renewals in this area. This is not alarming—it merely indicates a more healthy condition for Rochester real estate.

The remainder of Main Street in the central business area, the side streets and the cross streets, with the exception of those areas previously mentioned, still have numerous vacancies and the tenancies are at the same rental prices paid in the late 1930's and 1940.

Several tenants in the central business area who are paying increased rentals are on a percentage basis and rental increases reflect increased business, showing tht the tenants are suffering no rental hardship.

Real estate in the central business area in Rochester, N. Y., can never be in generally good condition until the very best, or cream, of the commercial and retail locations are occupied at high rentals, causing tenants to expand the good retail area. This will bring relief to realty owners who have been operating at losses for many years. When retail business is at a high level and merchandise is available good tenancies spread over a large area. When the general volume of business declines the retail area shrinks to one or two blocks. This latter situation now exists in Rochester.

In the neighborhood areas, or subcenters, there are numerous vacancies and many tenants still pay the same rental as they paid 5 or 6 years ago, despite their increased business volume.

There are very few commercial properties for sale in Rochester that show a reasonable net return on the asking prices, and therefore there are relatively few sales of this type of property being made.

Nearly all sales of commercial properties in the past few years have been made by insurance companies, banks, and other mortgagees who had obtained the properties through foreclosures or by estates forced to liquidate realty holdings. Sales between individuals or private corporations are still few and far between, and this is the only type of sale that indicates a healthy market—where both the seller and the buyer profit.

On Monday, November 27, 1944, suits were filed in the supreme court for reduction of Rochester city assessments on 40 parcels of real estate, 12 of which are in the central business area. There have been no assessment increases for city tax purposes in the past 6 years in this area, but there have been many reductions. These suits indicate clearly that many property owners do not receive sufficient income from rentals to earn a net profit.

Nearly all retail tenants are enjoying an increased business and are in a position to pay a higher rental. On the other hand, virtually all owners of real property are confronted with increased maintenance costs and need higher rentals to meet these mounting expenses.

The attached copy of a resolution passed by the directors of the Real Estate Board of Rochester, N. Y., Inc., sums up the general stuation: That there is no necessity for such action in Rochester, N. Y., and vicinity; that the public expense involved would not be justified by the results obtainable; and that such action would tend to break down and demoralize the real-estate market for commercial properties, thereby increasing the heavy burdens and losses of the realty owner.

Therefore they request that your committee disapprove this bill, S. 2176, to amend the Emergency Price Control Act of 1942, as amended, with respect to the control of rents for business accommodations.

RALPH R. BORCHARD.

"RESOLUTION PASSED BY THE BOARD OF DIRECTORS OF THE REAL ESTATE BOARD OF ROCHESTER, N. Y., INC., AT THE MEETING HELD ON TUESDAY, NOVEMBER 28, 1944

"*It is hereby resolved*, That we are opposed to the amendment of the Rent Control Act as proposed by Senator Robert F. Wagner, and we hereby authorize Ralph R. Borchard, of Rochester, N. Y., to represent us in opposition to this bill at the hearing which is to be held thereon before the Senate Banking and Currency Committee in Washington on Thursday afternoon, November 30, and Friday morning, December 1, 1944, because in our opinion there is no general or national necessity nor justification for such amendment and, in particular, there is no necessity for such action in Rochester, N. Y., and vicinity; and furthermore because we feel strongly that the public expense which would be involved in carrying out the provisions of such an amendment could not be justified by the results attainable; and furthermore such action would tend to break down and demoralize the real-estate market for commercial property and increase the present heavy burdens and losses of real-property owners."

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STATEMENT OF NATIONAL KNITTED OUTERWEAR ASSOCIATION, NEW YORK, N. Y., IN THE MATTER OF SENATE BILL No. 2176

*To the Honorable Members of the Banking and Currency Committee:*

We appear here for the knitted outerwear manufacturers and dealers who constitute the membership of our association, but I am sure that what we say will apply to many thousands of other small businessmen who occupy rented premises for the manufacture and sale of commodities. The problem of controlling commercial rents is created by the fact that the Price Control Act, for some inexplicable reason, has omitted mention of nonresidential rents. That omission has created a critical situation throughout the country and particularly in the city of New York. It should be remedied at the earliest opportunity if price control is to be fair to all and effective at the manufacturing level.

We are living in a tightly controlled war economy. Our National Government, anticipating an acute shortage of commodities, services, and housing, devised and enacted the Emergency Price Control Act. Under it substantially every commodity and service has been pegged to a price bearing closely to the level of March 1942. Labor rates have been stabilized at the level of September 1942. Residential rents in certain vital areas are held far below the level that a free market would fix.

All of this is of one piece. The over-all design is to build a wall around our economy to protect and defend it from the flood of inflation which threatens to engulf and bring disaster to all. The failure to control commercial rents is a hole in that dike. If that hole is not plugged at once, it will undermine our defense against the inflationary deluge and result in unfair and unreasonable hardship to the small businessman who does not own the premises on which he works.

We do not refer to moderate rent rises to meet increased operating costs or even to assure reasonably better profits. The landlord has his problems and they should be reasonably met and solved. But there has developed a wave of reckless rent increases set in motion by the acute shortage of available space that exceeds the bounds of reason, of fairness, and of decency. The blue sky is the limit.

We should like to refer, in some detail, to one particular case as exemplary. The firm which we have in mind has occupied premises in a loft building in New York City for more than 12 years. Its relations with the landlord have always been cordial. Recently the premises were sold to a new owner, obviously of the speculative variety. Shortly in advance of the termination of the then current lease, the landlord advised the tenant that his rent would be increased from $12,000 per annum to $16,200. The tenant asked for a brief opportunity in which to consider the proposal. Within a few days after that interview, the renting agent again appeared and declared that the former offer had been withdrawn and that the new rental would be $18,000, and that if that offer were not accepted by 3 p. m. that day, the rate would be not less than $21,000. The tenant frantically consulted his lawyer but regretfully he was advised that he had no protection under the law. Needless to say, he signed on the dotted line.



Recently we received many letters from our membership protesting the wildly speculative gyrations of rents imposed on factory and loft premises. The salient facts in each case are set forth in the schedule hereto attached. All these cases are of the same pattern, varying only as to dates and amounts. It appears as if speculators, seeking quick, easy, and large profits, blocked in every direction by Office of Price Administration control, have flooded the real-estate market and concentrated on commercial equities. These short-term investors care nothing about good will, the future of the real-estate market, or the relations between tenant and landlord. They have for their purpose a rapid boosting of rents and a quick turn-over of property, leaving the hindmost to the devil. These practices are pernicious and should be arrested at the earliest opportunity.

It should require no extended argument to advance commercial rent control in the light of the extensive program of price restraint installed on every other economic front. We believe the burden of justification should rest on those who have denied rent control to thousands of small businessmen operating rented factories and warehouses throughout the country.

At this time all our exertions should be pointed toward keeping prices and costs down. The small businessman is threatened with loss of sales volume because of shortages in civilian supply and the lack of help to make and deliver what he has. He cannot make up his loss by higher prices because Office of Price Administration will not permit it.

The landlord, on the other hand, is in an advantageous position economically by reason of the unprecedented demand for commercial properties. The item of cost always considered in real-estate management known as vacancies has been reduced to the vanishing point. Space is at a premium and tenants stand in line awaiting their turn.

Coupled with exorbitant demands for immediate increases is the growing practice of insisting on long-term leases so that when business is no longer as hectic as it now is and space as scarce as it now is, the landlord would have small business pinioned in a strait jacket of high rents. Unreasonable as these larger rents are in the present economic setting, consider how much more unreasonable they will be when the flush of the war boom has faded and we are once again face to face with the stark realities of biterly competitive business, when costs must be recokoned in fractions of a penny and economy is again the only means of survival.

Despite this economic advantage, these landlords have been entirely free of all control.

If these unrestrained rent increases go on spiralling upward, one of two things must happen to small business. It will break down or price control will collapse. Either of these outcomes would be a major catastrophe. Morale persuasion and voluntary control have failed. The mayor's committee in New York City tried to hold the champing landlords in check but they have nevertheless completely run away. The New York State Legislature had the matter under consideration last spring but little came of it. Perhaps the legislature regarded the problem as national and not local, since all price control has been treated on a national basis. It is now up to Congress to act to save little business from destruction or coerced price-law violation. Although we represent a single and a small industry, we feel that our case is the case of thousands of small people. the minor factory operators, middlemen, tradesmen, and shopkeepers, who ask only that the rules of the game be the same for all. We respectfully urge that Congress extend rent control to commercial premises.

SCHEDULE

*Case 1.*—Rental increase of 50 percent over rate established by savings bank owner when premises were sold to speculative interests recently.

*Case 2.*—Rent increase of 75 percent on a "take it or leave it" basis, although tenant offered voluntarily to pay 25 percent more, which was rejected.

*Case 3.*—Demand has been made for an increase of 60 percent, with an indication from the landlord that this increase is not subject to negotiation.

*Case 4.*—Landlord now demands $3,000 per year for a small loft which, in 1941, rented for $1,000 per year. There had been increases in between bringing the present rental up to $2,000. In addition to the increase, landlord insists on a 5-year lease. On the other hand, the service has deterioriated badly, probably to the landlord's profit. This tenant will probably be compelled to comply because of his inability to find other suitable premises.

*Case 5.*—Current lease in this instance represents an increase of 45 percent over the preceding year.

*Case 6.*—Landlord demanded an 80 percent increase in the rental over the one prevailing for the last 4 years. Tenant complained to the mayor's committee of the city of New York, who indicated an increase of 20 percent to be reasonable. Landlord refused to follow the suggestion of the mayor's committee.

*Case 7.*—Landlord demanded and received an increase of 80 percent.

*Case 8.*—Landlord demanded and received an increase of 60 percent over the rent paid in 1941. Tenant had agreed to an increase of 20 percent during an intervening period.

*Case 9.*—In this case the landlord demanded an increase effective July 1, 1944, of a little more than 100 percent over the rent paid up to June 1943.

*Case 10.*—In this case the landlord demanded and received an increase of 66⅔ percent.

*Case 11.*—In this instance the landlord demanded an increase of 100 percent and settled for a 50 percent increase.

*Case 12.*—The landlords had been receiving a rental of $12,000 in the year 1943 but demanded and received an increase in 1944 of approximately 75 percent, bringing the rental up to $21,000. The same landlords have indicated they intend to raise the rents for 1945 by 50 percent over 1944 levels and request leases for a 5-year term.

*Case 13.*—Landlord demanded and received, in February of 1944, an increase of 30 percent.

*Case 14.*—Up to 1943 tenant paid the same rent for 7 years. In that year the building was sold and the new landlord increased the rent approximately 50 percent, and in 1944 it was again increased by approximately 85 percent over the rental of 1942.

*Case 15.*—For 4 years preceding October 1943 tenant paid a rental of $1,332 per year. A new landlord took over the building in October and immediately raised the rent to $1,800. He also instituted many economies in service to the tenant's disadvantage.

*Case 16.*—The landlord demanded and received an increase of approximately 70 percent.

*Case 17.*—Tenant occupied premises for 12 years at an annual rental of $12,000. Relations with landlord were always friendly. In the early part of 1944 building was sold, and when lease expired new landlord demanded $16,200, and thereafter increased his demand to $18,000, which, if not accepted at a fixed hour, would be increased to $21,000.

Respectfully submitted.

NATIONAL KNITTED OUTERWEAR ASSOCIATION,
HAROLD KORZENIK, *Counsel.*

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STATEMENT OF THE LEAGUE OF WOMEN SHOPPERS, INC., IN SUPPORT OF S. 2716, TO THE SENATE BANKING AND CURRENCY COMMITTEE

Hon. Robert F. Wagner, chairman, and members of the committee: The League of Women Shoppers, Inc., is a Nation-wide consumer organization, primarily concerned with the protection of the American standard of living. It is keenly interested in any legislation involving the consumer. As an organization, doing an earnest job on the home front in support of the Nation's program to prevent inflation, it is concerned with the attack on that program which is inherent in allowing business rents to rise uncurbed.

The League of Women Shoppers, Inc., understands that witnesses before your committee, such as Commissioner Platzker, chairman of the New York City Fair Rent Committee, will refer to at least 5,000 complaints from businessmen, showing requests, or rather demands, for rent increases on business properties of from 30 to 200 percent. The facts adduced by the New York City Fair Rent Committee also prove that, in many cases, there have been evictions or threatened evictions of businessmen who are engaged 100 percent in production for war purposes, because of their failure to meet the demands for such increases. As a result, such businesses are either unable to produce goods vitally needed in the war effort, or are unable to produce them at a contract price which was based on the existing overhead.



The Senate Small Business Committee, which investigated 1,500 complaints claiming excessive commercial and industrial rents in New York City, has stated "pressing need exists for prompt remedial action." Thousands of small concerns have leases expiring regularly.

The League of Women Shoppers believes that this is not a local situation. The history of inflation has shown that abuses, like a contagious disease, spread quickly from one section of the country to another until they reach epidemic proportions. Symptoms must be treated promptly and effectively so that they will not spread, in order to prevent the epidemic of inflation.

Though many war contracts with the Government are on a cost-plus basis and thus would seem to absorb increased rental costs, actually the cost of many rent increases is passed on to the Government. This undermines the Government's war and anti-inflation program and results in an added burden on the taxpayer, for the increased cost to the Government must be reflected in any new tax bill.

Last spring, the League of Women Shoppers expressed its anxiety about the uncurbed increase in business rents and was asked "What difference does it make to a consumer organization that businessmen have to pay more rent?" The question shows a failure to understand the relation between these increases and the price structure, and therefore inflation. Many Office of Price Administration ceiling prices are fixed after consultation with industry on the basis of cost plus a certain fixed mark-up. It has been more than difficult to keep these prices down to ceiling, and it has enlisted the alertness of every person in the country to insure that these ceiling prices are observed. Because of the tendency of the wholesaler, retailer, or entrepreneur to violate the ceiling price and charge the consumer with every added cost rise, regardless of whether it is a legitimate cost rise, increased commercial rental cost offers still further incentive and temptation to violate the established price ceiling or to demand that the Office of Price Administration revise the price ceilings upward. And of course the consumer is the one who pays.

The League of Women Shoppers cannot overlook the fact that fees for professional services such as medical, dental, and legal services, and charges for other services such as barbers and cosmeticians are not controlled by the Price Control Act. Increased rental costs to those rendering these professional and other services are immediately reflected in increased cost to the consumer for these services.

Reduction of production costs during the reconversion and post-war period could play a key role in keeping prices down. It is therefore imperative that the drive for increased rental costs which, of course, are figures in production costs, should be stopped right now, before it gets to the point of increasing rather than decreasing production costs during the reconversion and post-war period.

S. 2176 is the prompt and effective treatment for the particular symptom of a strong inflationary tendency with which this committee is at present concerned. The League of Women Shoppers urges the committee to pass favorably upon the bill which is now before it, as another great step forward in the Government's economic stabilization program.

LEAGUE OF WOMEN SHOPPERS, INC.
KATHARINE ARMATAGE, *Chairman.*

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THE BUILDING OWNERS' AND MANAGERS' ASSOCIATION OF MILWAUKEE,
*November 28, 1944.*

Hon. ROBERT F. WAGNER,
*United States Senate, Washington, D. C.*

DEAR SIR: We respectfully submit herewith for your convenience our affidavit setting forth our reasons why the Wagner bill, S. 2176, should not be enacted.

Very truly yours,

BUILDING OWNERS' AND MANAGERS' ASSOCIATION.
By THOS. E. ALLEN, *President.*

STATE OF WISCONSIN,
*Milwaukee County, ss:*

I, Thomas E. Allen, president of the Building Owners and Managers Association, of the city of Milwaukee, State of Wisconsin, desiring to call to the atten-

tion of the committee of the United States Senate considering Senate bill No. 2176, under oath depose and say:

That I have had more than 17 years' experience as a renting agent and manager of commercial properties in the States of Illinois and Wisconsin, and that I am at present an executive officer of corporations that own buildings rented for commercial purposes, and as such executive officer I am resident manager and renting agent.

That I am particularly familiar with conditions that prevail in the city of Milwaukee and in the city of Chicago, and that this affidavit is prepared after consultation with most of the members of the association above referred to, and they are in agreement that the statements herein made represent also their judgment and experience.

1. Commercial rents in these districts for similar values represent drastically varying rental rates, because commercial rents are chiefly influenced by the prevailing obtainable rentals at the time the leases are made. These leases in groups go back from 18 years to probably those made within the current year. Those that go back to 1930 and before were at rental rates favorable to the landlord. Those that go back approximately since then and up to within 6 years ago were made at rental rates favorable to the tenant. The date of expiration and the conditions of the rental market almost exclusively influence the rent that the tenant agrees to pay. Frequently the landlord is able at the subsequent expiration, when rental conditions may be better, to make a better rate for the same area to effect some of the losses that the very low rate required him to carry.

2. Buildings containing commercial tenants would be the victims of partial confiscation if somewhere between a 4 to 6 percent return after depreciation could not be earned. The bulk of the commercial rentals in large cities, particularly insofar as comparatively new structures are concered, are at rental rates far below such a 4 to 6 percent net return. This is the equivalent to confiscation of some of the owner's investment.

Prevailing rental rates today in the commercial fields in cities west of the Alleghenies indicate a total absence of any attempt on the part of landlords to take advantage of scarcity in supply. If Senate bill No. 2176 (the Wagner bill) is passed, most leases for commercial areas will be made subject to an expiration date equivalent to the date of termination of the rental control administration. This would be a very harmful thing to the tenant, because in a market in which it is conceded that there is not, and will not be, more than a 10 percent vacancy, a large proportion of leases falling due at one date, puts the tenant dangerously near the mercy of the landlord and produces a probability of an artificial increase in rental. The industry itself, if it wasn't for the threat of this rent control, can be relied upon to prevent in the future, as experience shows it always has in the past, any arbitrary increase in rentals.

Most buildings that include rentals for commercial tenants spend upward of 40 percent of their gross receipts (particularly if it includes office building tenants) in servicing costs which nowhere near reflect any increased rentals to cover the cost of increased wages to service employees. Rental control could easily within constitutional protection force a rent administration to permit increases in commercial rents which, left alone, the industry has proven in the bulk of commercial rent structures in this country will not prevail.

3. Any examination of the gross business done by commercial tenants, particularly in office building areas, represents rarely more than 2 percent, and frequently less than 2 percent, of the gross turn-over done by such tenant in the exercise of his annual business volume. With the exception of the retail store tenant, in the hundred percent metropolitan locations, the average tenant's war-caused increase in total annual volume makes his commercial rent of so insignificant a portion of 1 percent as to in no way reflect any threat to price increase, to the public in his commodity.

4. It is worth the committee's attention to realize that the chain stores in America, while they frequently pay premium rents in premium locations, are themselves substantial property owners in other locations and would remain a very steadying influence in keeping rentals in hand, unless the friction that commercial rent control would produce, is enacted into law.

5. I am reminded by my associates, as well as to my own actual knowledge, that there is now in the process of being translated by passage into law, local city and county government's recognition of the increased cost of living as it affects local government employees, and there will be, as a result of its inclusion in the 1945 budget, provision equal to as much as 10 percent of the total municipal expenditures, sums, to take care of this additional cost of living bonus as



reported in new salary wage stabilization rates, which will substantially affect the tax bill of the landlords. In any event, to prevent inequity and injustice, this shoud be recognized by your committee as an additional threat to the industry if Senate bill No. 2176 is passed at this time, in view of this tax situation.

6. It is my conclusion that the committee recognizing that most comparatively new modern structures created for commercial rental occupancy are today receiving gross rentals more than 25 percent less than they were erected to attract, and that is why, particularly in the office building field, an abundance of statistics are available to demonstrate that the over-all return of the industry has been substantially less than 2 percent of the equity investment, and that the bulk of the industry were compelled to reorganize in bankruptcy, to maintain the semblance of an artificial solvency.

7. It is equally a matter of public knowledge and record that despite a substantial increase in the volume of occupancy and the diminution in the percentage of vacancy, increased operating costs leave the industry as a whole no better off financially.

8. The Senate committee undoubtedly will sympathize with my conviction and conclusion that the industry which because of the war was compelled to defer a very large proportion of its necessary maintenance, and which deferment represents millions of dollars of costs that the commercial building field did not earn, if this Senate bill No. 2176 was passed would be a substantial deterrent to the present developing plans by which this industry hopes to be able to finance this very large maintenance deficiency. If this bill is passed, it is my judgment that such discouragement would be a substantial contribution to a diminution of after-the-war employment, in this maintenance field.

9. It is the conviction of my building group, largely made up of the owners of modern properties created in the last 20 years, and in most cases having a bulk proportion of their properties utilized by office-building tenants that in any event Senate bill No. 2176 should not include modern structures predominately occupied by office-building tenants, because in this field the commercial tenant's rent bears no relation to the commodity that the tenants deal in, because it is too small a fraction to be translated into an increased cost-of-living threat.

10. It is my conclusion that the office-building industry, in particular having frequently many hundred of tenants per building, would find itself in a very serious situation. Being classified as an nonessential industry, it has been unable to retain the services of its necessary personnel, and the great amount of details that this Senate bill would include having to be furnished to the Government, would further make a drain on manpower, at a time when the industry is in agreement with the Government, that manpower should be conserved for war production.

11. I am prepared to furnish the committee with the written statement of a preponderant majority of the tenants of the office-building segment of commercially rented buildings to the effect that they are opposed to this legislation, and have met an understandably satisfactory reliance, upon the present relationship of landlord and tenant without the intrusion of this legislation.

12. I have also included, in forwarding this affidavit to your committee's attention, a series of communications which I have a desire to file as accompanying exhibits.

THOS. E. ALLEN.

Subscribed and sworn to before me this th day of November 1944.

PEARL MERCKEL,
*Notary Public, Milwaukee County, Wis.*

My commission expires July 1, 1945.

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(The following letter and telegram were submitted for the record by Senator Hayden, of Arizona:)

THE PROFESSIONAL BUILDING,
*Phoenix, Ariz., November 27, 1944.*

Senator CARL HAYDEN,
*Senate Office Building, Washington, D. C.*

MY DEAR SENATOR: On Thursday, November 30, and Friday, December 1, there is to be a hearing of the Senate Banking and Currency Committee on the Wagner bill, S. 2176, relating to the control of commercial rents. Owners of commercial property are, and of right should be, interested in this proposed legislation. A

hearing some 2 years ago on a similar proposal resulted in sufficient information being presented to the Banking and Currency Committee to satisfy the committee of the unjustification of such legislation.

I am enclosing a copy of telegram addressed to the National Association of Building Owners and Managers with which the Building Owners and Managers of Phoenix is affiliated. This telegram very briefly states the local commercial rental situation.

The National Association of Building Owners and Managers will present before the hearing above referred to, information which will show our industry has only partially recovered its earning ability which was so seriously impaired during the depression years. This same condition applies to property in Phoenix and throughout Arizona. Operating costs have increased substantially during the past 4 years, labor costs have increased as much as 100 percent in some of the larger office buildings. The abnormal occupancy of office buildings and store property is the only factor which makes possible the payment of these increased operating expenses at present rental rates without showing a net loss from operations. In spite of these conditions we find no general attitude on the part of property owners to take any advantage of this situation nor to approach any program of general rental increase unless there is a continued and further increase in operating costs.

There may be individual circumstances of high percentage increase in rental rates of certain store properties. Investigations show, however, that in such cases the percentage of increase is based upon a ridiculous subnormal rate resulting from the competition of much vacant space during the years 1933 to 1936. Most of this type of commercial space is occupied on long-term leases and in many instances the owners have had no opportunity to revise these subnormal depression rates until the present time, with many leases still existing at the low rates.

On behalf of the Building Owners and Managers Association of Phoenix, I appeal to you to give your earnest consideration to this proposed legislation. We cannot afford to jeopardize our good will and our future relationships with tenants on these long-term investments by rent gouging under conditions which might make it possible. Neither can we afford to jeopardize the private investment in commercial properties by facing the possibility of operating losses during the most prosperous economical period in our Nation's history after having just begun to climb out of the continuing net-loss years of the depression.

Sincerely yours,

LE G. MOORE,
*President, Building Owners and Managers Association of Phoenix.*

NATIONAL ASSOCIATION OF BUILDING OWNERS AND MANAGERS,
*Chicago, Ill.:*

Regret inability to appear for our association at hearing of Senate Banking and Currency Committee on Wagner bill, S. 2176, to control commercial rents. Rental increases in office space average less than 10 percent over substandard depression rates. These increases are equal to less than one-half of increase in labor costs alone during past 4 years. Lack of control of operating costs and agitation for increase of minimum wage may spell disaster to millions of dollars of private investments here if this control becomes effective. A major factor of operating cost is service furnished tenants. Unless cost of these services can be controlled or cut back, present rental rates will not cover. At 100 percent occupancy no office building here is netting 4 percent.

Store rentals show slightly higher increases. Such increases lag far behind increase in retail sales volume and present store rents do not approach predepression rates in spite of heaviest dollar-volume sales in history.

There is no condition here which would justify commercial rent control. Would proponents of this bill consider an allowable increase in rental rates over 1940 in same percentage as increase in labor cost during same period?

LE G. MOORE,
*President, Building Owners and Managers Association of Phoenix.*

# RENT CONTROL FOR BUSINESS ACCOMMODATIONS

**FRIDAY, DECEMBER 1, 1944**

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
*Washington, D. C.*

The committee met at 10:30 a. m., pursuant to adjournment of Thursday, November 30, 1944, in room 301, Senate Office Building, Senator Robert F. Wagner, chairman, presiding:

Present: Senators Wagner (chairman), Radcliffe, Maybank, Butler, Buck, and Hawkes.

The CHAIRMAN. The committee will come to order.

Senator Mead, as one of the members of the Committee on Small Business, and also chairman of a very important committee, I know you are busy and we are going to ask you to go on first, and then we will take up the regular list of witnesses.

## STATEMENT OF HON. JAMES M. MEAD, JUNIOR SENATOR FROM THE STATE OF NEW YORK

Senator MEAD. Thank you, Mr. Chairman. I appreciate this opportunity, and I would not take the time of the committee were it not for the fact that our Committee on Small Business went into this matter and held hearings on it sometime ago.

I want you to have a copy of our report, a copy of the hearings, together with some other information which will give you a cross-section of the situation throughout the country on this subject.

Now, if it meets with your approval I would like to read a short statement I have prepared.

The CHAIRMAN. Yes; we will be very glad to hear you.

Senator MEAD. Mr. Chairman, I appear here today as a member of the Senate Small Business Committee at the request of the distinguished chairman of that committee, Senator Murray. Senator Murray wants me to express his regret that only the imminent stage of other legislation with which he is concerned, makes it impossible for him to appear personally in response to your kind invitation.

As you know, Mr. Chairman, Senator Murray and I have given earnest study to this problem of commercial rent abuses and particularly to their effect upon small business enterprise.

That is our particular province.

It was the subject of a hearing held by the Senate Small Business Committee on July 14 of this year at which many witnesses were heard and a great deal of documentary evidence introduced. The committee recognized that these excessive rentals for commercial space were a grave threat not only to the security and continuance

of large numbers of small concerns but also to our whole structure against the spiral of wartime inflation.

The record of our Small Business Committee hearing in July disclosed a great many shocking cases of excessive rentals and other onerous conditions sought to be imposed in connection with business occupancies. It was perfectly clear to our committee that in making these exorbitant demands many commercial landlords were not unaware of their temporarily advantageous bargaining position due to present abnormal conditions of the war period. Apart from the serious public danger inherent in such a situation, the tragic hardship which it imposes upon many small and medium-sized concerns is too obvious for argument.

It appeared that these many abuses, while particularly numerous and acute in New York City, were duplicated in some degree throughout the United States, coming as they did from approximately 30 States of the Union. It was apparent, too, that unless effective measures were taken to deal with this situation a continuance of these abuses would create a problem of the first magnitude in many areas of the home front.

It therefore seemed to the committee then, as it seems to me now, that the need for remedial action was immediate and urgent. The apparent preponderance of complaints from New York City and the practical difficulties necessarily involved at that time in further amending the Emergency Price Control Act led us to the conclusion that prompt action could most readily be obtained through action by the State authorities. Accordingly the Senate Small Business Committee, in its report based on the record of its July hearings, urged the particular States in which these commercial rent abuses existed to deal with them directly by enacting their own remedial legislation or otherwise.

Senator MAYBANK. Senator, may I interrupt you?

Senator MEAD. Yes.

Senator MAYBANK. What was the date of that?

Senator MEAD. The hearings were held on July 14 and the commercial rent report was made in October—the first week of October.

Senator MAYBANK. Didn't you advise them to first look into the matter locally?

Senator MEAD. Oh, yes.

Senator MAYBANK. But you don't remember the exact date of that—when the report was finished?

Senator MEAD. It was some time in October. We brought it out, however, during the course of the hearings, and in most cases the witnesses told us they had already appealed to the State authorities.

However, in that report, Mr. Chairman, the Small Business Committee did not bar Federal regulation. On the contrary, we expressly reserved that alternative if the State governments failed to act in accordance with our recommendation. In this connection, the closing sentence of the report says:

> It is your committee's earnest hope, however, that appropriate action by State and local authorities, coupled with a patriotic restraint on the part of owners of business real estate, will continue to make Federal control unnecessary.

Unfortunately, Mr. Chairman, this hope with respect to State action expressed in the report of the Senate Small Business Committee has not been realized. Complaints, letters, and other advices reaching the committee indicate that the situation has grown, rather than diminished, in extent and acuteness, since the July hearing. I have here, and with your permission, will insert in the record, a selection of complaints from outside New York which indicate the growing seriousness of the problem and point to the need for prompt remedial action.

Mr. Chairman, with your permission, I would like to have those complaints inserted in the record.

The CHAIRMAN. Very well.

(The group of letters is as follows:)



GENERAL TRUCK DRIVERS AND HELPERS UNION,
*Canton, Ohio, November 11, 1944.*

Hon. JAMES E. MURRAY,
*United States Senate, Washington, D. C.*

MY DEAR SENATOR: Several months ago we had a considerable amount of confusion in Canton regarding Home Owners' Loan Corporation conversion homes through its agency charging excessively high rentals. At that particular time we contacted Senator Robert A. Taft and the local rent director, A. R. McConnell, and within a few months we had the rents of 200 Home Owners' Loan Corporation reconversion homes decreased 21 percent, which amounted to several million dollars of a savings to the renters in Stark County.

At this particular moment in Canton we find ourselves in another dilemma regarding rentals, and on this occasion it is the need of commercial rent control that should be enacted by the Federal Congress and Senate. We are very much inclined to believe that this issue is becoming frightfully serious and should be given Federal attention inasmuch as rentals, either under the rental system or lease, have been skyrocketed in Canton to all types of small business enterprises, doctors, lawyers, dentists, etc. The rentals in some cases have increased to more than 100 percent during the past year, and we have every reason to believe that this subject matter cannot be controlled through local or State agencies inasmuch as State control and local control have been neglected so much, while, on the other hand, Federal control of practically all war-effort enterprises and institutions has been very successful.

Therefore, we are inclined to believe that the Federal Government should immediately prepare to introduce proper legislation calling for Federal control of commercial buildings, hotels, etc. For your information, some of the hotels in the State of Ohio have carried on excessively high rental rates since the inception of the war notwithstanding the fact that rent control is supposed to cover hotels, lodging rooms, etc.

Recently I received a letter from Mayor LaGuardia, of New York, on this particular subject matter, and Mayor LaGuardia advised me that the exorbitant and excessive rents are getting out of control in New York, and believes as I do that there is only one solution, and that is in the enactment of enabling legislation by the Federal Government to take control over commercial buildings.

Will appreciate very much your kind consideration of this subject matter; and if we can be of further assistance in any manner, shape, or form, please feel free to call upon us.

Appreciatively yours,

TOM OAKES.

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CORT SHOES, INC.,
*Cleveland, Ohio, November 20, 1944.*

Mr. HAROLD M. SCHWAB,
*The American Business Congress, New York, N. Y.*

DEAR SIR: We are giving you the following information on the advice of Mr. William Girdner, of the National Council of Shoe Chains.

The rent of our store at 516 Adams St., Toledo, Ohio, was increased from $300 to $450 per month, an increase of 50 percent. We refused to pay this increase and were ordered to vacate. The new tenant is now paying $450 per month.

We have been notified by the owners of a store we occupy in Cleveland, Ohio, that our rent will be increased from $275 per month to $350 per month, an increase of 27 percent, effective January 1, 1945.

We have been notified by the owners of a store we occupy in Warren, Ohio, that our rent will be increased from $275 per month to $325 per month, an increase of 18 percent, effective February 1, 1945.

Hoping that this information will help you in your fight to control business rents, we remain,

Very truly yours,

CORT SHOES, INC.,
By L. J. CORT.

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MARSH BUSINESS COLLEGE AND
DICKINSON SECRETARIAL SCHOOL,
*Atlanta, Ga., August 17, 1944.*

Mr. HAROLD M. SCHWAB,
*Executive Director, American Business Congress, New York, N. Y.*

DEAR MR. SCHWAB: Thank you for your letter of August 15. It is gratifying to know that some one is taking the lead in behalf of the small business men of the United States.

Let me give you one instance that might be of interest. And I have the permission of the person involved to relay the information to you.

Fourteen years ago Blick's Bowling Center was established here in Atlanta occupying the top floor of the Belle Isle Garage. They paid an annual rental of $12,000. Their lease expired on March 1, 1944, and a renewal was refused unless they agreed to pay a rental of $24,000 per year—exactly double the amount they were paying previously. This they could not do and they are therefore storing their equipment and vacating the space they occupied. This Bowling Center was visited every day and every night by hundreds and hundreds of service men and women as well as citizens of Atlanta and surrounding counties. It had come to be nationally known as a bowling center.

I have contacted others and will get more detailed information and forward to you.

Perhaps you might be interested in knowing what the regional rent executive here in Atlanta told me just about the time our rent was increased $100 per month. I called to ask him if there was any way we could avoid the payment of the increase. He said "No; there is no reason why you should not pay it, commercial rents are too low in Atlanta. We take the position that business firms should bid for the space and let the highest bidder get it." Also said, "there is too much concentration on the main streets, etc., etc., and there is plenty of space out in the outlying districts that one can use." I retorted that he had his office on one of the main streets, in fact, condemnation proceedings were brought and the tenants put out. It was all right for others to get way out in the edge of town but he wanted his office right down town.

I also told him that his attitude could not be classed as anything but encouraging inflation. If a person has to offer the highest bid for his office space there is no reason why he should not do the same for his residence.

The Supreme Court to the contrary, the Rent Control Act as it is today is unconstitutional in that it grants special privileges to a few—the owners of commercial property. The Constitution expressly forbids special privileges to any special class, but it has been granted to a special class nonetheless.

At the time you are ready for me to do so, I shall write both of our Senators as well as our 10 Congressmen for this State. I know all of these men personally. In addition, I shall have many of my personal friends bombard the Georgia congressional delegation with letters and telegrams urging them to support this bill.

If I can be of further service please do not hesitate to call on me.

Very truly yours,

A. A. REYNOLDS.

P. S.—I would suggest that you ask the Atlanta Journal and the Atlanta Constitution to carry a news item about this matter. It would be seen by lots of people that I could never hope to get in contact with. Of course, there is this to consider: These owners of commercial property are well organized and have a large lobby fund—they told me so. Also this regional rent executive in Atlanta is on their side. They would, of course, know what was in the wind and take steps to block our efforts.



PHILADELPHIA COAT AND SUIT MANUFACTURERS' ASSOCIATION,
*Philadelphia, Pa., August 21, 1944.*

Mr. HAROLD M. SCHWAB,
*Executive Secretary, American Business Congress, New York, N. Y.*

DEAR MR. SCHWAB: I am enclosing the signed copy of the resolution which you sent us.

Unfortunately, I am a bit pressed for time and am therefore able to cite but a few instances of rent increases, such as Gamson, 1133 Arch Street, 50 percent increase; Redman Bros., 1024 Filbert Street, 50 percent; Modern Coat & Suit, 1230 Arch Street, 25 percent; Edelson & Sons, Inc., Twenty-second and Arch Streets, 25 percent; Levitt & Cooper, 1024 Filbert Street, 25 percent.

As to other industries affected, you might contact the following:

A. Silver, executive secretary, Philadelphia Waist & Dress Manufacturing Association, 12 South Twelfth Street; Wm. Flickstein, executive secretary, Philadelphia Clothing Manufacturing Association, 215 South Broad Street; S. Rudow, executive secretary, Blouse & Dress Contractors' Association, 12 South Twelfth Street (also Men's Clothing Contractors' Association).

I tentatively plan to be in New York on Thursday, and if at all possible shall attempt to attend your meeting. Should you want any additional information, please communicate with me.

Sincerely yours,

(Miss) SONIA TEITELMAN.

PHILADELPHIA COAT AND SUIT MANUFACTURERS' ASSOCIATION,
*Philadelphia, Pa., August 15, 1944.*

Mr. HAROLD M. SCHWAB,
*Executive Director, American Business Congress, New York, N. Y.*

DEAR MR. SCHWAB: Your recent letter to Mr. Redman, president of our association, has been referred to me.

Regarding increases in rentals of our members, I wish to advise that inquiries have been made which revealed that in all cases on the renewals of leases increases ranging from 25 percent to 50 percent were effected, during the past year. Other industries have also been affected.

We would be glad to cooperate with your committee.

Sincerely yours,

(Miss) S. TEITELMAN.

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PHILADELPHIA, PA., *August 7, 1944.*

HAROLD M. SCHWAB,
*Executive Director, American Business Congress,*
*Care of Waldorf Astoria Hotel, New York, N. Y.:*

Would like to go on record urging the adoption of the amendment of the Office of Price Administration regulations to include commercial rentals.

PHILADELPHIA CLOAK AND SUIT MANUFACTURERS ASSOCIATION,
HARRY REDMAN, *President.*

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GETTIER-MONTANYE, INC.,
*Baltimore (1), Md., August 16, 1944.*

Mr. HAROLD M. SCHWAB,
*Executive Director, American Business Congress,*
*New York, N. Y.*

DEAR MR. SCHWAB: Upon my return from New York, I find your letter of August 11. I wrote Senator Murray under date of July 17. I am giving you the information herewith, giving the rent we have paid during the past 2 or 3 years.

Under date of May 19, 1941, we signed a lease for $2,240. On June 14, 1943, the rent was increased to $2,750, and we were only allowed a 1-year lease.

Under date of May 1944, we were given a 2-year lease at $5,000 per year. Under date of April 15, we were advised by the First National Bank, who collect the rents from the building, that we could take a 5-year lease, and I believe the terms were to be $4,000 for the first 2 years, and $4,500 for the third year; and $5,000 for the fourth and fifth years.

Due to the fact that we are a small concern, we did not feel justified in signing a 5-year lease, especially where the rents advanced. We tried to get an option of taking a 5-year lease, but signing for only 2 years at $4,000, and then at the end of 2 years we would have the privilege of vacating or signing the lease at a higher rate. However, they refused to do this.

Baltimore was the first critical area zone in the United States, and business properties are very hard to secure, so the only thing we could do was to take a 2-year lease and we were forced to pay $5,000 for this.

I have copies of all of these leases, and I hope that this will prove useful to you in your investigation. I am showing your letter to other tenants of this building, and you will probably hear from several of them.

There was no money spent in repairs, or no improvements made. We got exactly the same service as previously. Recently we have complained because there is not sufficient water on our floor for drinking or sanitary purposes, and we have recently advised the landlord that we wanted more pressure brought to our floor or we would report the matter to the health department.

If there is anything more that I can do to cooperate, please advise me.

Very truly yours,

GETTIER-MONTANYE, INC.,
C. N. MONTANYE, *President.*

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BLOCK'S SHOE STORES,
*Seattle, Wash., November 20, 1944.*

MR. SCHWAB,
*American Business Congress, New York, N. Y.*

DEAR SIR: On November 17, Mr. Girdner, advised us by letter that you were interested in having our experience with renewals on commercial property.

We have had only one expiration recently. We were paying $100 a month for some space which we occupied in the downtown district in Seattle, Wash. We were asked to pay $300 for an extension of our lease on this space, and we have vacated.

Yours very truly,

MAX H. BLOCK.

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STONE'S UNIQUE SHOE STORE, INC.,
*Wilmington, Del., August 14, 1944.*

AMERICAN BUSINESS CONGRESS,
*New York, N. Y.*

GENTLEMEN: We learned that you are leading a fight for small businessmen in Congress. We are therefore addressing our problem to you.

Our 5-year lease still has 9 months yet to run, at a rental of $3,600 per year. A New York relator bought up a long-term lease over our head, and now insists that we sign a new lease, effective at once, for $5,500 per year, thus canceling our present $3,600 per year lease.

Of course, we can refuse to sign a new lease and thereby we shall be able to stay here for 9 months, under the old lease, but after that we shall have to go out of business.

With normal economic conditions restored after the war, would a small business be able to withstand such a rent-gouging operation as our new lease holder wishes to impose on us? We seriously doubt it.

We urge you to use your influence to press legislation, placing a ceiling on business rentals, similar to the ceiling now governing residential properties.

We thank you for the opportunity of presenting our story to you.

Yours very truly,

JOSEPH STONE, *President.*

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STONE'S UNIQUE SHOE STORE, INC.,
*Wilmington, Del., August 12, 1944.*

HON. JAMES E. MURRAY,
*Chairman, Small Business Committee,*
*Senate Building, Washington, D. C.*

DEAR SIR: Hearing of the valiant fight which you and your committee are waging on behalf of small business, particularly in the field of exorbitant rent increases, I wish to bring our individual case to your attention.



Our 5-year lease still has 9 months yet to run, at a rental of $3,600 per year. A New York realtor bought up a long-term lease over our head, and now insists that we sign a new lease, effective at once, for $5,500 per year, thus canceling our present $3,600 per year lease.

Of course we can refuse to sign and thereby we shall be able to stay here for 9 more months but after that we shall have to go out of business.

With normal economic conditions restored after the war, would a small business be able to withstand such a rent-gouging operation as our new lease-holder wishes to impose on us? We seriously doubt it.

We therefore urge you and your committee to rush legislation to prevent rent gouging on business rentals in order to help preserve the business life of the small businessman.

We thank you for this opportunity of presenting our story to you.

Yours very truly,

JOSEPH STONE,
*President.*

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HARRY PANITZ & CO.,
*Baltimore, Md., August 17, 1944.*

MR. HAROLD M. SCHWAB,
*Executive Director, care of American Business Congress,*
*New York 18, N. Y.*

DEAR MR. SCHWAB: You may be able to help us solve a problem confronting us.

We are in a building where we have been for a number of years at a moderate rental. The building has been purchased, as we learn, by a New York concern, which has advanced the rent from what we originally paid, which was $2,000 to $5,000. This would entail quite a hardship on our modest business, and as we learned that New York City is trying to find a solution to this problem, we felt that this would probably cover other towns, including Baltimore.

The writer realizes there is no Government law covering this at the present time. However, the Government may see the injustice of prohibitive advance on business rentals. If there is anything you can do toward enlightening us on this, it will be very much appreciated.

Very truly yours,

HARRY PANITZ & CO.

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HENRY W. CHECKET & CO.,
*Baltimore, Md., August 17, 1944.*

MR. HAROLD M. SCHWAB,
*Executive Director, American Business Congress,*
*New York, N. Y.*

DEAR MR. SCHWAB: We have been leasing the above premises for 11 years. The last term called for the payment of an annual rent of $4,800. We have been forced to renew a lease for the same occupancy at an annual rental of $8,500—an increase of 77 percent.

We shall be glad to furnish you any other information which you may need.

Very truly yours,

HENRY W. CHECKET & CO.

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ROYAL ELECTRIC SUPPLY CO.,
*Philadelphia, Pa., August 3, 1944.*

AMERICAN BUSINESS CONGRESS,
*New York, N. Y.*

(Attention of Mr. Harold M. Schwab, executive director.)

GENTLEMEN: With further reference to our letter of July 28 and yours of July 31, wish to advise you we have been under a 5-year lease and for that reason have not had any increases in rent. We are paying $3,500 rent annually and have now been notified that same is to be increased 50 percent.

We trust this is the information you desire.

Very truly yours,

ROYAL ELECTRIC SUPPLY CO.,
JOSEPH H. SCHIMMEL.

ROYAL ELECTRIC SUPPLY CO.,
*Philadelphia, Pa., July 28, 1944.*

AMERICAN BUSINESS CONGRESS,
*New York City.*

GENTLEMEN: Kindly record me as strongly urging an amendment to the Price Control Act affording tenants in commercial properties the same protection now enjoyed by dwelling residents.

Very truly yours,

ROYAL ELECTRIC SUPPLY CO.,
JOSEPH H. SCHIMMEL.

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SHURE BROTHERS.,
*Chicago, October 16, 1944.*

SMALL BUSINESS COMMITTEE,
*The Senate of the United States, Washington, D. C.*

GENTLEMEN: We note that you have concluded that Federal control of commercial rent would be unjustified and we understand that the committee report included a statement by Mr. Downs, of the Chicago Real Estate Board, that from 1940 to the present there has been a decrease of approximately 10 percent on store rentals.

In our opinion it is extremely important to control commercial rentals in the Chicago area. The statement by Mr. Downs relates to "store rentals" and it is true that due to shortage of materials, many retail stores have been required to close. However, it is significant that Mr. Downs confined his observation to store rentals and made no reference to industrial rentals.

During the past 2 years industrial rentals have soared to such a point that Federal controls are required. Speaking from our own experience we rent industrial space in three different buildings from three different landlords and our recent experience is as follows:

1. Industrial space at 225 West Huron Street, Chicago, rented at average rental of 32 cents per square foot until May 1, 1944, when the rental was increased to 40 cents per square foot. This is an increase of 25 percent.

2. Industrial space at 215 West Huron Street which was leased until May 1, 1944, at 25 cents per square foot when it was raised to 32 cents per square foot, or an increase of almost 30 percent.

3. Industrial space at 223 West Erie Street which was subleased by us until October 1, 1944, at 30 cents per square foot and was then raised to 50 cents per square foot. This constitutes an increase of 40 percent.

We understand that these rental increases were not confined to the space occupied by us in these buildings but were made general to all of the tenants located in these buildings. We recently sought additional space in Chicago and our investigation made it obvious that industrial rentals have been increased from 25 to 40 percent during the past 2 years. This is resulting in several conditions which are inimical to national welfare. War production costs are being increased by the increased rentals. Small businesses are being burdened with long-term leases at high rentals which they may be able to afford today but which will impair their stability in the future. Speculation in the buying and selling of industrial buildings is rife and prices have become inflated.

Local and State governments cannot be expected to cope with this problem. We earnestly suggest that you reconsider your decision and extend your study of industrial rentals to the various industrial centers of the country, including Chicago. If the committee has relied, in connection with the Chicago situation, on the statement of a member of the Chicago Real Estate Board relating to store rentals which are unimportant as related to industrial rentals, it is apparent that the entire subject should be reopened and reexamined.

Very truly yours,

E. E. FINK.

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ST. LOUIS, MO., *July 28, 1944.*

Senator MURRAY,
*Senate Building, Washington, D. C.*

HON. SENATOR MURRAY: You will find the amendments gained by the National Association of Real Estate Boards in rent control will cause the Office of Price Administration to enlarge its force by many hundred persons to cope with endless applications for authority to increase rents, yet landlords with multiple units to rent are getting more net rent now than for the past 10 years.



Freeze commercial rents on a fair basis—the sooner the better. It is too late now, but Office of Price Administration rent set-up should have been extended for 1 year with only one change; i. e., that tenants do all repairing except roof and outside plumbing; result, not much repairing until after the war, then plenty of men and material and landlords willing to do the job.

Yours very truly,

N. S. WOOD, INC.
By N. S. WOOD.

P. S.—Member of National Association of Real Estate Boards but do not agree with all they advocate by a long shot.

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SAN ANTONIO, TEX., *July 29, 1944.*

Mr. F. PRESTON FORBES,
*Special Consultant to Study Problems of American Small Business,*
*United States Senate, Washington, D. C.*

DEAR MR. FORBES: The fine work that your committee is doing in behalf of the tenants of office buildings in the congested cities has been brought to my attention, and it is with great appreciation that I view same. From your attitude it is quite apparent that you readily recognize the unfair and greedy manner in which the landlords are imposing upon the white-collar small businessman by burdening him with unjust and unfair increase of office rentals to the extent that it is hazardous, and will eventually be ruinous unless these increases are curbed. It appears that the landlords will not voluntarily regulate these rentals so that the small businessman will be protected and may continue his operation without the additional burden of greatly increased commercial rentals. There has never been a time in the history of our country, during strenuous times as these, without such situations arising where certain types of individuals, or groups, would fail to take advantage of the small businessman, or so-called white-collar man in his squeeze from every direction, and this burden of exorbitant increase of rentals puts entirely too much pressure upon us. Such power in the hands of the landlords in the crowded areas gives them a deadly weapon which they are wielding upon the small businessmen of America.

Trusting that your committee will take the proper action promptly to eliminate such conditions so that we small businessmen may still hold confidence in you who represent us, and that you will protect us from this unfair practice in order that we may continue to carry on, I am,

Sincerely yours,

H. A. BULLOCK.

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ACME LETTER SERVICE,
*St. Louis, Mo., July 10, 1944.*

OFFICE OF PRICE ADMINISTRATION,
*Washington, D. C.*

SIRS: It occurred to me to write you regarding the recent wave of increases in the rents for office and business space in office buildings in St. Louis.

It seems that the Office of Price Administration made a serious oversight in not including business property along with residential in the general rent-freeze order.

First, there seems to be a deliberate attempt to force many small business and professional men out of business. Since rental of office space often constitutes a major item of expense in conducting an office, a considerable increase in this item of expense is often sufficient to cause considerable hardship on the average office renter.

It seems that there has been collusion between the building owners and managers of St. Louis, in agreeing to increase all the rents at or about the same time. Up to now, most buildings have been able to operate profitably at the old rentals, and since there has been no increase of any appreciable amount in the cost of building maintenance since then, there seems to be no justification for these general increases.

In the case of the Wainright Building—an office building 50 years old—the increases will become effective (unless the Office of Price Administration intervenes) on August 1, and will, in most cases, vary from 80 to 100 percent in amount.

The price control attempts by your administration have been, for the most part, successful and beneficial to the country at large. However, in the past

months, prices have begun to increase sharply, and there seems to be a gradual tendency to break away from control and a trend toward runaway inflation—of the type this country has never seen before in its history.

This year would be a good time—politically speaking—to tighten up on price controls and to win the favor of thousands of office renters by including them in the rent control "freeze," and thus prevent inflation, and help increase governmental revenue by cutting down expenses of the small businessman, thus increasing his net taxable income, subject to income tax.

I hope you will begin an investigation of the general rent increases for office and business quarters in St. Louis and that you will secure authority to bring control of such rents under your jurisdiction, and will cause a roll-back in office rents bringing them to the level they were a year or two ago, and thus eliminate one more step in your campaign to halt runaway inflation.

Thanking you for consideration of this suggestion, I am,

Respectfully yours,

LOUIS H. HOROWITZ.

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ARLINGTON, VA., *August 26, 1944.*

CHAIRMAN, SENATE SMALL BUSINESS COMMITTEE,
*Washington, D. C.*

DEAR SIR: I understand your committee is investigating rent increases on commercial property in Washington. You may be interested, therefore, in the following instance of such increases.

I have operated a dry-cleaning and laundry agency at 2512 Fourteenth Street NW., Washington, D. C., for several years. I have been paying a rental of $65 per month on a month-to-month basis. Recently the renting agent, Lewis A. Mossburg, has informed me that starting in September my rental will be $80 per month, and that I will be required to assume certain obligations in connection with the premises which up to now the landlord has assumed. There is no reason for such increase on the part of the landlord. There has been a decrease in my own business within the past year and the increase will impose a severe burden upon me.

If your committee is still investigating such matters, I shall appreciate their investigation into this one.

Sincerely yours,

ISAAC MARCUS.

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SAN DIEGO, CALIF., *August 30, 1944.*

Senator JAMES E. MURRAY,
*Small Business Committee.*

SIR: I noticed in the papers from day to day of little businessmen closing up their places of business.

I know several places that may be closed if something is not done soon.

The landlords are raising the rents and also placing a percentage on them besides. There are two places that have been raised, and a 10-percent gross receipts, and one of these were paying $100 per month, and now it runs him to nearly $700.

This rental business for business places should be controlled by the Office of Price Administration the same as apartments are, and hotels and residences, for they are business places also, only dealing in different kind of merchandise or commodities.

The majority of these little business people are voters and taxpayers and are trying to do their part in this war and raise and educate their youngsters.

I noticed in yesterday's paper a report by Bradstreet & Dun how little business places have been closing.

If your committee will only give some real relief to these people who are in the clutches of grafters and thieves.

Yours,

JOHN L. ADAMS.



COLUMBUS, GA., *August 4, 1944.*

Hon. STEPHEN PACE, M. C.,
*House of Representatives, Washington, D. C.*

DEAR MR. PACE: I note in a recent trade magazine, that is now before the Congress the request that the rent on commercial property be stabilized. I advocated this over 2 years ago, as commercial landlords have taken undue advantage of the fact that there were no regulations. This has been very general when leases were expiring.

As an example, I operate a small men's shop in a room which had not been renting for more than $150 per month for the past 15 years. Since I took possession in July, 1940, at $150 per month, my rent has been raised four times until today I am paying $325. In this same building, which has five small stores and which was renting for a total of about $700 per month in 1940, the landlord is now receiving approximately $1,700 per month. He has not spent a single dollar in improving the property.

During the same period we have been regulated and obligated to maintain ceiling prices, have large additional expenses due to increased taxes, wages, etc., and it seems to me that all rental commercial property should be frozen as of March 1942. I urge the Congress to give serious consideration to this important matter which directly bears on the cost of living. In the event that such regulations are passed, the landlord should be compelled to refund all moneys paid in excess of the rental frozen.

With kindest personal regards, I am,

Respectfully yours,

C. L. FOSTER.

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NORFOLK, VA., *August 4, 1944.*

Senator JAMES E. MURRAY,
*Washington, D. C.*

DEAR SIR: We wish to endorse the action of your committee in placing a fair ceiling upon rents on comemrcial property.

Norfolk is truly a war town. We feel very unfair advantage is being taken by certain landlords in this area. Rent increases have greatly stepped up inflation, and it appears imperative that some control measure be instituted at once.

Thanking you for any relief you or your committee may give us. We are

Yours very truly,

ALBRIGHT HOPKINS FLOWERS, INC.
D. E. HOPKINS, *President.*

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BIRMINGHAM, ALA., *July 12, 1944.*

DEAR SIR: I am asking reference of your price control on rent for business concerns of Birmingham. The rent on my business in July, of 1942, was $100 for premises of 1827 Fifth Avenue North, and for the other at 420 North Nineteenth Street was $75. At expiration of this lease in 1943, the rent went up to $115. This year, of 1944, the property was sold to a new lessor who is raising the rent to $200 per month on the 1827 premises and $115 per month on the 420 premises. This concern has been occupying these premises for over 25 years and we wish to have some consideration on our rent. The prices of our work on laundry and cleaning cannot increase because of the ceiling, but if the rent must go up we must have something done about it. The Office of Price Administration quoted that they cannot do anything about the increase, so we are asking your cooperation in letting us hear from you on what can be done about this.

Sincerely,

QUANYON LAUNDRY & CLEANERS.

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DEMOTH CHEMICAL PRODUCTS CO.,
*Portland, Oreg., July 7, 1944.*

OFFICE OF PRICE ADMINISTRATION,
*Washington, D. C.*

(Attention: Mr. Chester Bowles.)

GENTLEMEN: I wish to call your attention to a situation that is unfair and can do considerable harm to price control.

The building at this address and which houses our factory was sold for $2,900 in 1942. The owner occupied the apartment above our factory. The

owner painted the building and put a much needed roof on. That is the only improvement that affected us. He improved his own apartment. He verbally agreed to charge me $25 a month rent. This agreement worked out to the satisfaction of both parties.

About 2 months ago he sold the building for $5,000 cash. The apartment now rents for $45 a month and they have raised my rent to $35 per month. The new owner told me he could raise to $100 per month if he cared to. I called the local office of the Office of Price Administration and they confirmed his statement.

Now I have war bonds and other money that I could invest in business property. If there is no price ceiling on commercial rents the smart thing to do is for me to cash in the war bonds and invest in this kind of property.

Very truly yours,

F. H. MAYER.

P. S.: May I have an early reply?

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WEST CHESTER, PA., *July 13, 1944.*

Re: Raising rents on properties rented for small business.

Hon. JAMES E. MURRAY,
*Chairman of Senate Small Business Committee,*
*Washington, D. C.*

DEAR SENATOR MURRAY: I represent two small business concerns who are renting offices in a business building owned by the Warner Theatre Co.

One of these offices had been vacant for several years, when 2 years ago, my client took it at a rental of $50 per month and spent quite a bit of money in putting the premises in order. The lease was drawn for 1 year and renewed for a further period of 1 year at $50 per month, now the Warner Theatre Co. insist upon renewing it at $60 per month. Similarly, the corner store was rented for $65 and the tenant spent a good deal of money in fixing it up for the ladies' hat business and now, after 3 years, Warner Theatre Co. wishes to raise it to $75.

My clients' businesses do not justify paying any increased rental.

This is simply to say that the condition described in New York is the same as we are finding in the small borough of West Chester, containing about 12,000 inhabitants, in Chester County, Pa.

Very truly yours,

ISABEL DARLINGTON.

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SAN DIEGO, CALIF., *September 30, 1944.*

Senator JAMES E. MURRAY,
*Senate Small Business Committee,*
*Senate Building, Washington, D. C.*

DEAR SENATOR MURRAY: Allow me to congratulate you and your committee for your interest in and efforts to protect the small businessman pertaining to commercial rent controls. San Diego landlords have gone wild, many have been saddled with back-breaking rent conditions, and I also am threatened with the same, effective a few months hence. My landlord's new proposal, being a guaranteed minimum rent, plus a percentage of the gross receipts, may increase my rent as much as 1,000 percent.

Needless to say, my business then would very likely earn more for the landlord than for myself, with all risk, investment, hazard, etc., left to me alone. My silent partner would share my earnings. It has taken me 10 years to establish this business here, and this new rent proposal will probably force me out.

I believe there should be commercial rent ceilings, the same as in housing; we small merchants merit that protection. Each day's delay forces many like myself out of business.

Yours truly,

FRANK APPLESTEIN.



CHICAGO, *August 24, 1944.*

AMERICAN BUSINESS CONGRESS,
*New York, N. Y.*
(Attention Harold M. Schwab, director.)

GENTLEMEN: We have your letter of August 18 regarding the control of industrial rentals and we are happy to cooperate with you by submitting the following information.

Prior to 1942 our rental had been $275 per month and the subsequent lease was signed for $350, an increase of $75 per month. That lease expires the end of 1944 and we have already been obliged to sign a new lease for $450 per month, an additional increase of $100 per month.

We trust this is the information you desire, and if we can be of further help we shall be glad to hear from you.

Very truly yours,

GODETT & GROSS,
H. GROSS.

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WASHINGTON, D. C., *August 2, 1944.*

DEAR SIR: I'm writing to you to see if you could give me some information. I'd call to see you only I am employed by the United States Army Finance Office of Transportation, and my hours are so long I am unable to get off.

Here is the information I want to find out:

I rented this house at 1429 Maryland Avenue NE. The agent said it was A 1. So far I've had nothing but trouble with it. I pay $47.50 a month for 6 rooms and bath, Latrobe heat in the front room and a range in the kitchen. The range won't burn. I had to get my gas oven going all day. My gas bill runs $10; now I run $6.60, as every drop used for baths has to be heated and carried upstairs. I had this case in the Rent Control Board before a Mr. Hayes. So far, since March 21, nothing has been done. I'm still paying $47.50 and I spoke to the new owner, Mr. Edward Aaronson, of Seventh and E Streets, NW. He admitted he wanted the $47.50 but he didn't intend to do anything. I sure would appreciate it if you would tell me where to go for some kind of assistance.

Thank you.

MRS. MARGARET C. DANIELS.

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SAN DIEGO, CALIF., *July 29, 1944.*

SENATOR JAMES E. MURRAY,
*Committee Chairman.*

SIR: I sure agree with your committee pertaining to rent gouging of small businessmen. Here in San Diego business rents have been raised from 10 to 200 percent or more and commissions on top of that. The rents being boosted and shortage of labor, lack of merchandise is sure putting the little man out of business.

So your committee should do something very soon.

I. G. GIBBS.

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ERIE, PA., *November 28, 1944.*

Senator JAMES E. MURRAY,
*Washington, D. C.*

MY DEAR SENATOR MURRAY: I recently read in the New York Times that a bill has been introduced into the Senate authorizing the extension of ceiling-price control to commercial rents.

I respectfully urge that you vote in favor of this legislation. I personally know a soldier who was honorably discharged from the United States Army in 1944 and who tried to rent the same business premises he occupied prior to his induction into the armed forces. He found that the landlord asked 280 percent of the 1942 rental, or almost three times as much as he did 2 years ago.

This is inflation pure and simple, and is just one instance of thousands. This phase of inflation is just as dangerous as any other, and it should be checked immediately.

Accordingly, I respectfully request that you vote in favor of this bill, putting a ceiling on commercial rents.

Respectfully yours,

GEORGE BYRD REED.

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Senator MEAD. Moreover, I believe that when the representatives of the O. P. A. testify, if they have not already done so, it will appear that in some areas of the country these excessive rates for business space are already reflected in an increased pressure on wartime price ceilings.

Senator MAYBANK. Senator, may I interrupt you again?

Senator MEAD. Yes; you may.

Senator MAYBANK. It has been my thought that is where the legislation should have come from at first, as it was your thought, but I presume, if the door is closed, then you recommend Federal legislation?

Senator MEAD. That is correct.

Senator MAYBANK. Were most of the complaints from New York?

Senator MEAD. I would say that the majority of the complaints that came to our committee were from New York.

There was probably a reason behind that, and that is, in New York they have a very active organization deeply concerned with the well-being of small business, and the disastrous effects upon small business of the excessive rentals was so apparent that this organization was seeking relief. They went to the mayor of New York and to the city authorities, and to their credit they received all the relief that the authority there could grant to them.

The City authorities even went further and asked Albany for relief, I believe, in the nature of enabling legislation.

Senator MAYBANK. It was my understanding that they asked the Governor of New York, it being such a big issue in New York, to have a special session of the legislature. Am I wrong? I heard that here yesterday.

Senator MEAD. That is my understanding.

Senator MAYBANK. In these other States you spoke about, of course, the legislatures do not meet until January in most instances; is that correct?

Senator MEAD. I would think so.

Senator MAYBANK. Have these other States also refused to do anything when they meet?

Senator MEAD. I don't know that, but I presume in some States where there may be interested organizations, relief has already been sought. However, I would like to look up the record before I would want to make that as an accurate statement.

Senator MAYBANK. Not necessarily for the record here, but for my own information, since 30 States had complaints, although I understand there were only a few except from New York—am I correct in that?

Senator MEAD. Well——

Senator MAYBANK. Were there any large number of complaints from other States?

Senator MEAD. A large number.

Senator MAYBANK. Then my statement would be correct that 30 States made complaints—I mean 30 groups made complaints. I would like to know whether those 30 went to their governors and whether or not those governors said that when the legislatures did meet they would recommend legislation to correct these abuses. I would like to know that if it would be possible to find that out.



Senator MEAD. I am informed that the people seeking relief in the city of New York appealed first of all to the local authority. The local authorities created an agency to deal with this question, but they were without authority sufficient to cope with the situation and they appealed to Albany, to the Governor, and the Governor, as I understand it, suggested that the matter be taken up at Washington with the O. P. A. authority.

Senator MAYBANK. That was brought out here yesterday, but what I want to know is what did the other 29 governors do.

Senator MEAD. Well, I couldn't say that.

Senator MAYBANK. Well, I wondered if the Small Business Committee could write and ask? They might not get the answer in time for this legislation as the time is so short, but I would like to know for my own information, because these governors are always talking about State rights. I sort of believe in State rights myself, but I would like to know what these other 29 governors said.

Senator MEAD. I will ask the secretary of the committee to get as much of that information as possible for you and submit it for the record.

Senator MAYBANK. If it doesn't get here in time for the record, I would like to have it for my own personal information.

Senator MEAD. I think as far as the people in New York City, they appealed to the State authorities and they were told to go to Washington.

The CHAIRMAN. Senator, I think maybe this would be a good time to assert that both you and I, early in October, wrote letters to the Governor requesting that State action be taken. I didn't get any answer. You might have gotten one.

Senator MEAD. I imagine the same attitude that was presented in our committee hearings, and was also given to the authorities in the city of New York that appealed to the governor, was taken.

Senator BUCK. Don't you think the reason the States have not acted is because they would have to call special sessions of their legislatures and that is something a governor does not want to do unless he has to, particularly when the regular session follows a few months later?

Senator MEAD. That may be true in some States, but it was not in ours.

Here is a letter dated January 8 from the counsel to the Governor of New York, addressed to the executive director of the Independent Citizens League of New York:

STATE OF NEW YORK,
EXECUTIVE CHAMBER,
*Albany, January 8, 1944.*

Mr. J. LEWIS,
*Executive Director, Independent Citizens League,*
*New York, N. Y.*

DEAR MR. LEWIS: I acknowledge your telegram of December 28 addressed to Governor Dewey relative to the imposition of a ceiling on rents for lofts and other business property. Under existing law, the Governor has no power or jurisdiction to regulate the control of rentals.

By Federal statute this power does exist in the Office of Price Administration. I suggest that you communicate your views to the office of the Office of Price Administration.

Sincerely,

LAWRENCE E. WALSH,
*Counsel to the Governor.*

Senator BUCK. Was that while the legislature was in session?

Senator MEAD. Yes; January 8, 1944. Here is a subsequent letter, that is enlightening, that has been brought to my attention:

OFFICE OF PRICE ADMINISTRATION,
*Washington, D. C., January 25, 1944.*

Mr. J. LEWIS,
*Executive Director, Independent Citizens League,*
*New York, N. Y.*

DEAR MR. LEWIS: Your correspondence with Messrs. Louis H. Pink and Ivan D. Carson, of the Office of Price Administration, and with the office of the Governor of the State of New York, regarding the control of commercial rent charges, such as for loft space in New York City, has come to my attention. I am writing you with the hope of clarifying the issue, so far as our legal authority is concerned.

This Office derived its rent-control authority from the Emergency Price Control Act of 1942 and from no other source. For your convenience I am enclosing a copy of that act. As you will note, section 2 (b), which is the rent provision, deals only with defense-area housing accommodations. The term "housing accommodations" is defined by section 302 (f) so as to include only property, privileges, and facilities rented "for living or dwelling purposes."

No authority for the control of commercial rentals has been conferred upon this Office. This fact has always been clearly recognized in Congress. The introduction of such bills as H. R. 7695, H. R. 7656, H. R. 6875, and S. 2853 in the last Congress, and H. R. 807 in this Congress, to provide in various ways for the control of commercial rentals, was based on the understanding that such authority had not been conferred upon this Office or any Federal agency. None of these bills, nor any other proposal for the Federal control of commercial rents, has been enacted by Congress. I might add that the Stabilization Act of October 2, 1942, deals with prices, wages, and salaries affecting the cost of living, but not with rents.

I am sending a copy of this letter to Mr. Lawrence E. Walsh, in the office of the Governor of the State of New York.

Sincerely yours,

RICHARD H. FIELD,
*Acting General Counsel.*

These people in New York, I think, were looking for some authority and they first appealed to the city and then to the State and finally, when they were told the authority was in Washington, they came down here and conferred with the O. P. A. Finally, there was only one authority left, and that was the congressional authority, and they appeared before our Small Business Committee.

Now they are seeking relief before your committee.

Senator BUCK. You believe it is a matter that could be handled by State legislation?

Senator MEAD. I think if the State legislature had given the New York City agency the enabling legislation they required that relief could be granted and the matter could be taken care of.

Senator MAYBANK. You don't have letters from any other Governors, do you?

Senator MEAD. I haven't here this morning, but I will be glad to check the record and see if there are any.

Senator MAYBANK. I would like to know whether any other Governor recommended legislation in a matter of this kind.



Senator MEAD. There are some Governors seeking relief, I presume, by the Federal authority they have. Of course, it is a matter of the attitude, perhaps, of the Governors. Some Governors are very much against Federal invasion of States' rights.

Senator MAYBANK. That is correct.

Senator MEAD. But, of course, in this case, we feel that—particularly in our case—that every authority has been sought out before recourse was taken to Congress.

Senator MAYBANK. I thoroughly agree with you, but the point I want to make is that most of the Governors—for instance, in this insurance decision by the Supreme Court—most of the States have come out and said that insurance regulations are a matter for the State. If that should be handled by the State, why shouldn't this be handled by the State? Why do they want to take an attitude in this matter that might be pleasing to certain groups and shove it off on to Congress, and take the reverse attitude on insurance or something else?

Senator MEAD. You, being a former governor, would know more about that than I would, but I think in this case we have a perfect case in that the Governor joins evidently with the rest of us in appealing to the Federal authority.

Senator MAYBANK. That is correct.

Senator MEAD. Therefore, in our instance there is no undue invasion of the authority of the State, because from the record apparently both the Governor and the city of New York have referred these interested parties to the Federal authority.

The CHAIRMAN. Senator, in answer to Senator Buck's question a few minutes ago as to whether the governors might hesitate to call special sessions of the legislatures, as a matter of fact, in New York State, there was a special session called for the purpose of extending the time to vote on November 7, and that legislature met and they passed the legislation and went home. There was an opportunity to also deal with this matter.

Senator HAWKES. Mr. Chairman, may I ask Senator Mead a question?

The CHAIRMAN. Surely.

Senator HAWKES. Isn't it a fact that the New York State Legislature has already appointed a fact-finding committee which must report back on March 1?

Senator MEAD. Yes; they have appointed a committee, and I am coming to that in my statement. That committee has also been apprised of this acute situation.

Thus far, they have not made any effective effort to relieve the situation, but a committee has been appointed.

Senator HAWKES. The reason I asked you that question right here is that I understood you to say a moment ago that the Governor advised them to request Federal legislation on this subject.

Senator MEAD. That was the report we got at the time of our hearings. I don't know whether you were here when I read the letter.

Senator HAWKES. No; I was not.

Senator MEAD. This was a letter that was written in Albany at the executive mansion, executive chamber, dated January 8, 1944, addressed to Mr. J. Lewis, the executive director of the Independent

Citizens League, who had applied for relief on this very question, and they told them to go to Washington:

DEAR MR. LEWIS: I acknowledge your telegram of December 28 addressed to Governor Dewey relative to the imposition of a ceiling on rents for lofts and other business property. Under existing law, the Governor has no power or jurisdiction to regulate the control of rentals.

By Federal statute this power does exist in the Office of Price Administration. I suggest that you communicate your views to the office of the Office of Price Administration.

Sincerely,

LAWRENCE E. WALSH,
*Counsel to the Governor.*

Senator HAWKES. Was that before this fact-finding committee was appointed to make an investigation and report?

Senator MEAD. This was shortly before that. Yes. But this is evidently the attitude of the chief executive. The creation of a fact-finding committee may be the creation of the legislative body or it may be the idea of the sponsor of that committee, but I understand the chairman of the committee is himself in the real estate business in New York and familiar with it——

Senator HAWKES. You don't know which it is?

Senator MEAD. Well, it occurs to me that the creation of a legislative body by resolution may be the desire of the legislature or the idea of the individual: I am not sure about that, but the attitude of the executive as brought to our attention is that they should go to Washington for relief.

Senator HAWKES. May I ask you another question to follow up on that, because I value your opinion very highly? Do you feel, if this thing touches the country in isolated spots in serious enough fashion to have our attention, that we should, here in Congress, pass legislation creating another bureau or maybe another important branch of an existing bureau to go into the thing all over the country and take that many employees that will be necessary to follow this thing through in many places where there is no trouble of this kind at all?

Senator MEAD. Well, we have a very serious problem. It occurs to me that something should be done about the matter. Shortly there will be a great deal of confusion unless something is done, if the information that comes to our committee is correct.

We may have the marshals carrying out equipment and machinery from loft buildings where excessive rentals will make occupancy very difficult. Now, if, in seeking relief, the authorities have gone to the State authority and the State authority counsels them that Washington is the place to secure relief, it would be very discomforting, I think, if we sent them back to the State authorities.

We have invaded this field, as a wartime measure, in effecting a system of rent control that, if broadened just a little bit, will cover the rents we have in mind. Then there is a constitutional question that I am not able to discuss with you at length, but it is raised regarding State control of this matter, and there may be something in it.

But I would rather rely on the practical problem that is before us and that is, a serious situation confronts us, that the city authority has appealed to the State authority for enabling legislation, and that the State authority has referred the interested parties to Washington. I take it when the city authorities have asked for enabling legislation and when it is not forthcoming, and when the matter is in a field that has already been covered by a Federal agency, that we are wholly within our rights, if there is any justification for rent control whatsoever, to consider the extension of rent control to cover this immediate case.



If, on the other hand, there was no constitutional question involved that might affect the State authority, and if the State authority welcomed an opportunity to give the city relief, then I would say we might leave the case with the city and the State, but the highest authority in the State has referred the matter to us here in Washington.

Senator HAWKES. What is the date of that letter?

Senator MEAD. January 8, shortly after the legislature convened.

Senator HAWKES. The one who wrote that letter is mistaken when he says that the O. P. A. has jurisdiction over that.

Senator MEAD. Yes, there is a later letter stating he made a mistake, that the O. P. A. didn't have authority beyond a certain limitation in the field of renting.

Senator MAYBANK. Then, in the meantime, since that time, they have had a special session?

Senator MEAD. Well, they had the regular session at that time.

Senator MAYBANK. But since then they have had a special session?

Senator MEAD. Since then they have had a special session.

Senator MAYBANK. That special session was about State rights, because everybody objected to the Federal invasion of State rights in the matter of the soldier vote.

Senator MEAD. Yes.

Senator MAYBANK. Therefore, while they were dealing with States' rights affecting the soldier vote, couldn't they likewise have dealt with State rights affecting rent?

Senator MEAD. At that particular time when the call for the special session went out, the American Business Congress appealed to the Governor to include in the call this particular problem we are now discussing here, of rent control.

Senator MAYBANK. But now that the election is over they sent them down here?

Senator MEAD. Yes.

This development, that is, the impact of excessive commercial rent on price ceilings, is a factor to which the Senate Small Business Committee report points as a serious danger inherent in this situation.

It is unhappily a fact, too, Mr. Chairman, that notwithstanding the urgent recommendation in our report, not a single State has taken any effective action to deal with this problem.

I know that in my own State of New York, where commercial rent excesses have reached alarming proportions, the only State action has been to appoint a joint legislative committee which has been officially in existence since June 1 without having issued a single report or made a single recommendation, although the growing seriousness of the situation in New York City is conceded by everyone.

Now, it occurs to me if your committee has time to handle this question, and if our Small Business Committee had time to go into and issue a report on it, the same thing could be done by the committee that has been created in the legislature. I don't want to offer a word of criticism, but I want to bring to your attention the fact that the situation is critical and that a committee has been appointed and it has not made a report.

Senator MAYBANK. Have they had any hearings?

Senator MEAD. They have had hearings. It may be they are following the line of the chief executive in referring the matter to Washington, and that is the only thought I had in mind in bringing to you the information that they have not made their report.

Now it occurs to me, in view of the seriousness of the situation, that that report should be made and probably would be made if they were going to recommend State action, but in view of the absence of the report, I bring to your attention the fact that it may be they expect action here.

Senator MAYBANK. If they don't get action here, your judgment would be that they would make a report?

Senator MEAD. Well, I don't know.

In fact, under its resolution this committee need not report until March 1, 1945. By that time, many small concerns whose leases have already come up for renewal or will expire early next year, will have been forced to close their doors.

The CHAIRMAN. The question is, if it is true, as it seems to be, that there is this shortage in New York, that these people have nowhere to go—these tenants—so they have the alternative of either paying this high rent or completely going out of business.

Now, it seems to me that Congress is not so impotent under such circumstances as to frustrate the efforts of these people to make a living and it seems to me that is where Congress is needed.

Senator MEAD. It has been these small businessmen who are the casualties of this wartime economy, and it occurs to us that, because it is the result of a wartime economy, we ought to protect them in every instance possible. That is why the Senate created the Small Business Committee, and here is a case where we can save a great many small businessmen from being casualties, if we consider this question and approve the bill introduced by my colleague.

In other words, it is a question that is demanding relief. Those in search of relief have gone through the various steps required, I imagine, by the most enthusiastic advocates of State rights. They have gone to the city authority, and to the State authority, and there is only one other authority that can grant relief.

However, relief next year will do a whole lot of them very, very little good.

Senator MAYBANK. In other words, the rental agreements for 1945 and 1946 will already have been signed?

Senator MEAD. That is right. If the State were to take action shortly after the convening of the legislature early in January it may not be too late, but if the report can be offered as late as March, then I doubt very much whether those seeking relief can induce their landlords to continue the present leases until that report is made.

Senator MAYBANK. If, as you say, the Small Business Committee has got time to do it and we of the Banking and Currency Committee, with our many, many problems have got time to do it, it looks to me like that committee could have already made its report, and with the thought in the minds of the property owners that there would be legislation and rent control, that that might have had a restraining influence on them. Would I be wrong in that conclusion?

Senator MEAD. I think that is a reasonable conclusion.



To be sure, the rents on many business properties were set during years of low business activity and operating costs have increased during the war period. However, the Banking and Currency Committee should be able to provide a means for easing such situations in any legislation which it may approve.

With these considerations in mind, Senator Murray, as chairman of the Senate Small Business Committee, and I, as a member of that committee, now jointly urge that the Federal Government be authorized, by such legislation as your committee and the Congress deem appropriate, to deal promptly and effectively with these growing commercial rent abuses whenever and wherever they threaten our wartime price structure along with the security and continuance of small business enterprise.

That is all that I have to say, and I trust that your committee will promptly act upon the legislation because it appears to me from a general review of the entire situation that broadening the powers of the O. P. A. is the only possible remedy that will come to the relief of the small businessmen affected by these high rentals.

The CHAIRMAN. Are there any other questions of the Senator?

(There was no response.)

The CHAIRMAN. Thank you, very much, Senator Mead.

## STATEMENT OF REUBEN LURIE, REPRESENTING GROUP OF COMMERCIAL TENANTS, NEW BEDFORD, MASS.

The CHAIRMAN. Mr. Lurie, you represent a group of commercial tenants of New Bedford, Mass.?

Mr. LURIE. I do, sir.

Mr. Chairman, and members of the committee, I have been asked by a group of tenants of one landlord in New Bedford to appear here.

This particular landlord is the Fairhaven Mills Real Estate Corporation, in New Bedford. The control of this corporation was taken over 2 months ago, curiously enough, by a tenant in the very mills where the present tenants are complaining.

This particular tenant, about 4 or 5 months ago, received a notice from the bank which controls a number of mill properties. As you perhaps know, much mill property in Massachusetts has been in the hands of banks. He was informed there would have to be an increase in the rent of all the tenants. The rest of them paid the increases rather cheerfully, but this particular tenant was considerably wrought up and he went down to the bank and he argued at length and was told if he wanted to go in he could buy control in the realty corporation, which he did, and he therefore came into control of this property 2 months ago.

Two weeks ago he sent notices of increase in rent to his cotenants who hitherto had shared his misery and now found they were to share it alone.

I want to give you the details of this because it seems to me that they may be of some interest to a committee that is charged with attempting to evaluate the situation on a national scale. If this were limited to New Bedford, then I say to you very candidly that I don't believe you ought to spend much interest with it, but if it is symptomatic, and I suggest it may be, of a widespread condition which may

now be in its very beginnings throughout the country, then it seems to me it is worthy of attention by this committee.

The CHAIRMAN. Were you able to hear some of the witnesses from New York?

Mr. LURIE. I heard everything, Senator. I was here all through yesterday.

The CHAIRMAN. Well, there is a problem outside of New Bedford.

Mr. LURIE. I know that, and I speak, therefore, with a sense of relief in not coming from New York, if I may say so. I want to give you the details which are not without interest because unlike some of the testimony, some of these tenants are very small people; people who could fade out of the national economy without the slightest indication of any concern by anyone except, perhaps, the man's immediate family.

I will give you a list of the tenants and the increases, and describe what they do, and then I shall conclude rather quickly.

A. Freedman & Son are shoe manufacturers. They are engaged in manufacturing under contract with the Navy. Their rental has been $260.59 a month. They have had an increase in July of some $24, bringing it to the rental I have just given.

When this new man came into control——

Senator HAWKES. Do you mean $24 a month?

Mr. LURIE. I mean $24 a month was the increase in July.

Senator HAWKES. Might I ask you this question: How long have they been a tenant, or how long have they been in the shoe business?

Mr. LURIE. They have been in the shoe business for many years. It was founded by the father of the present brothers. I cannot give you the exact length of time they have been in New Bedford, but to my knowledge at least it is a half dozen years.

Senator HAWKES. Have they always been tenants in the same place?

Mr. LURIE. In the same place.

Senator HAWKES. Thank you, very much.

Mr. LURIE. They had this increase on July 1, bringing their rental to $260.59 a month. Two weeks ago they received from this new control notice that on January 1, 1945, that the rental was to be $550 per month. Now this particular firm cannot move except as it is willing to pay, it is estimated by the owners of the business, some $10,000 in order to move their plant and get all of their equipment, their power, and their machinery, out of where they are.

The CHAIRMAN. Where would they go?

Mr. LURIE. Well, they don't know. I believe, however, and I say with candor, that, unlike the situation that has been described in New York, there are mill sites in New Bedford.

The curious thing, however, is that New Bedford was terribly hit by the hurricane, and, as perhaps you will remember, it was one of the hardest hit places, with damage that went into the millions of dollars. This has had its effect upon the available sites, so you have a situation that becomes perhaps unique to New Bedford.

Senator HAWKES. May I ask you a question? You may be going to give it in your testimony, but have you got any figures to show what they have paid for rent for the past 10 or 15 years? The highest they have paid, and the lowest, and so forth, so as to give us some idea of where the present rental you are talking about leaves them as compared with what they have had over a period of years?



Mr. LURIE. I haven't those figures, Senator, but I heard your question yesterday and I understand completely.

Senator HAWKES. Because I happen to know of space in Chicago that I rented myself one time at 25 cents a square foot—the owner was in difficulty—when all the space around it was renting at 50 cents a square foot, and I had a 10-year lease.

So it was only fair when that lease ran out for that landlord to raise that rent to a fair valuation.

Mr. LURIE. I understand your point of view. I think one would have great sympathy if that had happened in this particular case. Assuming the facts as you suggest, there may be some landlords in that situation, but I suggest that what you have here is a tenant who has become a landlord with a speculative purpose, and it is not a landlord who has suffered through the years, who is securing the increase and the benefit. To the contrary, this speculator has seen an ability to reap a harvest because he believes there is nothing that can be done in time to prevent it.

Now I have asked for the information you wanted, Senator, and I will see you have that information in the hands of the committee when I return home.

Senator HAWKES. You will agree with me that regardless of who the landlord is today, whether he is a speculator or not, a fair valuation of the space as related to other space over a period of time has something to do with the picture. I would like to say here I don't think there is anyone on this committee who is more opposed to rent gouging and price gouging in any kind during wartime. It is inconceivable to me that anybody would want to take advantage of the war situation such as you have described to make more money than they are entitled to, but I think we ought to look here into fairness and justice on both sides of the situation.

Mr. LURIE. I thoroughly agree, Senator. I think that is your task. I am an advocate, and, therefore, I am presenting the point of view of those who asked me to come here. I think it is your problem.

Senator MAYBANK. May I ask this question: Have any appeals been made to the mayor of New Bedford or to the Governor of Massachusetts?

Mr. LURIE. Yes. The mayor was approached. This, as I say, happened 2 weeks ago.

Senator MAYBANK. Just 2 weeks ago?

Mr. LURIE. Just 2 weeks ago. This man has just come into control about 2 months ago, and the mayor has been approached. When I left home they were still in consultation. I took up the matter with the regional O. P. A. and, of course, received the information which I had already known that they could do nothing and that this bill was pending here. I have made no appeal to Governor Saltonstall to exercise his war powers. I had no time to do it because I found myself on the move to Washington.

Senator MAYBANK. On that very question, I think the Massachusetts State Legislature, together with many other State legislatures have passed certain acts conferring certain powers on their governors during the war emergency. Under that law do you think that the Governor could act?

Mr. LURIE. I believe the Governor could act, but I believe Governor Saltonstall would not act and if I may presume to say what I think

Governor Saltonstall would do—my opinion is based on the following reason: Governor Saltonstall is scheduled to come to Washington in January 1, and to exercise the unusual power given to him by the legislature without a broad investigation would seem to me ill-advised.

Senator MAYBANK. But the new Governor will have the same powers?

Mr. LURIE. That is right.

Senator MAYBANK. The power is in the Governor's office.

Mr. LURIE. That is right.

Now what Governor-elect Tobin will do, I cannot say. We have no session of the legislature until January 1.

Senator MAYBANK. I may say this in connection with Governor Tobin, that no one has been more interested in keeping prices down than he was as mayor of Boston because on many occasions he has testified here regarding clothing, food, and so on and so forth.

As a matter of fact, he testified for the greater part of 1 day on the renewal of O. P. A.

Mr. LURIE. That is correct, but I cannot say anything as to Governor Tobin's attitude. In fairness to him, I don't know. I do know that Governor Saltonstall in the past has been very loath to exercise the extraordinary powers that have been conferred upon him except upon most searching investigation.

Now, as I say, this happened 2 weeks ago. These raises go into effect January 1, 1945.

On the same mill site there is a firm called Peitavino Silk Mill, which paid a rental of $79 a month. These are small fellows. His rental as of January 1 has been increased to $148.

Senator BUCK. How much had he been increased before?

Mr. LURIE. I find no mention of any increase.

Senator BUCK. What is the other comparable figure—$24 by the bank?

Mr. LURIE. $24 has been made by the bank in control of the properties. On July 1 the gentleman who came into control increased to $190 a month.

There is in addition the Pilgrim Mill Supply which paid a rental of $45 a month. This has been increased to $75 and let me say parenthetically that these tenants are engaged in war work or essential work with one exception, and I will come to that later on. There is one manufacturer there somewhat similar to the gentleman who appeared here yesterday, F. Silverman & Son, Inc., engaged in infants' dresses, under lend-lease. They pay a rental of $418 now. Last May they were increased by $105. They had paid $313 up to last May. The bank came along, the bank had been in control, they received an increase of $105 which they cheerfully paid. They had no complaint.

The proposed increase now is to $750 starting January 1.

The Economy Blouse Co. is paying a rental now of $280. They were increased $40 last May. They were paying $240. The increase now is to $650.

The Comus Manufacturing Co. pays a rental of $375. Within the past year they have been increased by $100. They have a lease and therefore they have no notice but I assure you gentleman they are shivering and are terribly worried because the bell is ringing and they know that unless something is done they had better think in terms of figures that perhaps are multiples of $375.



Senator HAWKES. How long does their lease run?

Mr. LURIE. I believe their lease will expire next year. There is the Royal Shoe Co. They pay a rental of $325. In March they had received an increase of $100. They had originally paid $225. The rental as of January 1, 1945, is $650.

There is a little fellow there by the name of John W. Ruggles who is in the business of twine, one of these elements that are used in a mill town. He pays a rent of $30 a month. He paid until the bank increased him $10, $20 a month. He now has to pay $50 a month.

There is another very little fellow by the name of Lemiux in textile work of some sort. Last April his rent was $30 a month. That will give you an idea of the size of the little fellows. His rental was increased by the old control to $50 a month. His rental as of January 1, 1945, will be $100 a month. Now, to me, at least, that represents something that I suggest to you should be examined from this point of view, Is this symptomatic of what is going to happen to the little man? because I suggest to you that a man paying $30 a month and being asked to pay a hundred dollars a month is confronted with a situation very much like the man who is geared to the payment of $30 a month for an apartment and has to consider whether he can pay a hundred dollars a month. It is the question, as I see it, of ultimate survival.

Then, there is the one exception not engaged in war work or essential work, that I mentioned, a Gleckman's Furniture Storage, who uses part of the space for storage. He has been paying $45 a month. The new control has given him notice that as of January 1 his rental will be $100.

Senator RADCLIFFE. Do you know what is the history of that property where you say the rent has been raised from thirty to a hundred? What rentals have been paid there during the last, well, say 4 or 5 years?

Mr. LURIE. Well, I would assume, Senator, that this man has been there through these years. I do not know. I cannot answer with accuracy, and it is only an assumption. I will describe the properties to you. If you know Massachusetts and perhaps have seen some of the huge sprawling mill properties that are to be seen in Lowell, in Lawrence, in New Bedford, and throughout the Commonwealth where there has been extensive textile manufacture, you will see these huge buildings that run out, and then on right angles there are separate units; and when disaster came upon the textile industry some years ago and it became necessary for those who were the holders of bonds and debentures and mortgages, and the rest, to step in, they sought to get small businesses to come in, very much as was done in Nashua and Manchester and Amoskeag, and these businesses that are small came in, and some of these men whom I have described here are these small men who eke out a small living; and, as I say, I don't want to exaggerate from one point of view their importance because, as I have said, they could pass away tomorrow and nobody except their immediate family and immediate creditors would give them a concern. But if——

The CHAIRMAN. I think Congress is concerned with them.

Mr. LURIE. But, as I say, if this is indicative of what appears, from what I can gather in hearing yesterday, to be on the sweep—that is, from New York, New Jersey, Massachusetts—Senator Mead today

spoke of other complaints that had been received; speculation I suggest knows no geographic State lines, and while I do not say that as New Bedford goes so goes the Nation, I suggest to you that what is happening in New Bedford might very well be an indication of what you may be confronted with when speculators get the idea that this is a harvest that they can reap before something happens.

Now, I do not believe that if this is an isolated instance you are to do anything. In other words, if this is limited to New Bedford I say this is not a national problem; this is our problem in Massachusetts. But if it is a reflection and if the information that comes to you from Mr. Bowles, from Senator Mead's committee, from Senator Murray's committee, from those who have appeared here, indicates that there is a situation that sounds the bell of warning through the Nation, then it seems to me it would be well for this committee to consider implementing O. P. A. with the power to act before it gets out of control, and not seek to remedy the situation that has meant financial death and destruction to the little fellows whom I have undertaken to speak for today, because it seems to me, at least, that we have gone through this experience before, and it would be well to learn from what has happened in the days following the First World War.

Nobody would seek to work a hardship upon any given individual except as there is a greater benefit to the larger body, and these little men—little men—who have suffered under controls of one sort and another, who find themselves now quite helpless, this little fellow who pays $30 a month, $40 a month, cannot have a representative come forward. The only reason that I am here is that a group of the bigger tenants encouraged the little ones to join in on the pool and prorated the cost or expense; and I say to you very bluntly that the little fellow found that he could then afford to have somebody come forward for him because the bigger fellow said, "We'll pay the larger proportion of what it costs in order to have our situation presented before the Senate committee."

Now, if in your wisdom and if out of the information that comes to you from the other governmental agencies you detect the bell of warning ringing the alarm and saying: Speculators are on the march, and therefore let us have business protected in fairness to them, in fairness to the legitimate landlord, in fairness to the economy as a whole—then it seems to me it would be well to have national legislation. If you do not detect it, if you do not find that the information is what it has been indicated it is, than I say to you with complete candor, I do not believe it is a national problem.

Senator MAYBANK. Do you know——

Senator HAWKES. May I just ask a question before Senator Maybank proceeds?

The CHAIRMAN. Yes, sir.

Senator HAWKES. I want to compliment you on the way you have presented your facts.

Mr. LURIE. Thank you, sir.

Senator HAWKES. And I still want to say, and I hope you will agree with me and I hope these gentlemen who testified yesterday will agree, that it would be helpful to every member on this committee if we could know something about what the average rental over a period of years has been. Take through the twenties and the thirties. Now, I was told yesterday—we were told here that most of these buildings are



old buildings. If we could have something to show the average rental over those periods when you had good times and bad times, something that would bring justice out of the picture, and then if you could show what the increase in rental is, what percentage it bears to the product that is being manufactured, the value of the production of the organzations, I think it would be very helpful to every member of the committee.

Do you think you could do that? I mean you are not on the witness stand, but I mean do you think you could present some figures along those lines?

Mr. HALPERIN. I think you are asking us to branch into something that is very difficult to do within the time and means.

Senator HAWKES. Couldn't you do it in a general way? I realize it would be difficult to do it specifically all over, but couldn't you do it in a general sort of way?

Mr. HALPERIN. Senator, I think that those who will speak in behalf of the real-estate owners will give you some figures, with which I may not agree but on which, if I am permitted, I can give you some comments when they are through, to give you the information that you seek.

Senator HAWKES. Thank you very much.

Senator RADCLIFFE. Do you think that local authority, either State or subdivision of the State, could be made adequate to handle the situation, in your opinion? Not whether it wants to do it but whether it could do it.

Mr. LURIE. Well, it would depend, Senator, it seems to me, upon various factors. The O. P. A. has had a wealth of experience. The O. P. A. learns because of the pooling of experience in Washington, and the result is that the States benefit from the experience that pours into Washington and is diffused through the States. States, in my experience, trying to handle a problem that is more serious than a simply local problem, are unable to cope with it. It is very much like a health problem—while a State can serve a useful function if you have the contagion that is sharply limited, if this situation is limited only to New Bedford then I would say, as I have said, it is Massachusetts' problem. But if, as I fear—and the fact that I fear it does not prove it; I simply say that I fear, from what I have heard here yesterday and from what Senator Mead has said and from what I anticipate to be the information that you will get from the O. P. A. relative to situations outside—then you have what I fear may be a national calamity that no State can handle on its own.

Senator RADCLIFFE. And yet the individual cases are local, are they not? I mean, if a man rents a piece of property and gives it up he is not going out of that State, as a rule. It is local in the sense that he either stays there or he goes somewhere in that immediate neighborhood, throughout the country.

Mr. LURIE. It is local from the point of view of the tragedy that is his, but it is not local from the point of view of the economic consequence outside. I think the perfect example would be given by the gentleman who appeared for the New York manufacturers. Now, I heard with great interest of the concentration of manufacturing along certain lines in New York. Now, that means that the rest of the country is going to be affected by what happens to this particular

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group in New York. And so it would be to a degree in Massachusetts with regard to other industries.

Senator RADCLIFFE. Yes; but if this were handled locally then there wouldn't be this Nation-wide movement.

Mr. LURIE. Yes, but——

Senator RADCLIFFE. If it is true that a situation is local in the sense that it could be handled locally, then if that is done in the various places where these situations arise, then this national trend to which you referred wouldn't occur.

Mr. LURIE. Yes.

Senator RADCLIFFE. That does not get away from the fact that the remedy might be a local remedy.

Mr. LURIE. That is perfectly true, Senator, but the point that I am seeking to suggest is this: That if you have control it is far better from the point of view of the national economy to have it on a Nation-wide basis in order to be fair to businessmen throughout the country. Let us assume for a moment—and I am not appearing for any huge business; I appear only for relatively small businesses—but the point that I am seeking to make can be best illustrated if I took a tremendously large shoe concern in Massachusetts whose competitor is a large shoe concern, let us say, at St. Louis, and the result is that if Massachusetts undertook to control a situation, or failed to control the situation, and Missouri did, you might have Massachusetts confronted in its industry with an unfair situation because the same type of control that Missouri had was not being applied in Massachusetts, or vice versa.

Senator RADCLIFFE. Well, in your testimony you have been stressing the situation in regard to the small businessman.

Mr. LURIE. Yes.

Senator RADCLIFFE. Now, you desire to supplement that, I suppose, do you, by emphasizing what you consider the need of the big businessman?

Mr. LURIE. No.

Senator RADCLIFFE. Is that the idea?

Mr. LURIE. No, Senator. What I was going to do was——

Senator RADCLIFFE. Well, the illustration you just gave was certainly big business. It wasn't small business.

Mr. LURIE. Yes; but if you will bear with me, Senator, what I said was that I was seeking to show to you what I regard as the dangerous implications that may exist in this New Bedford situation. As of itself, I say it is of no importance, but if it is indicative of what may very well be in the line and on the move, then I suggest it is not a matter that can be handled to the best advantage by local control.

Senator RADCLIFFE. Well, of course, on the other hand—and I don't mean to suggest this as being in any way conclusive—if this situation is mainly local as far as each particular instance is concerned—and in the vast majority of cases it is local in regard to them—what you have just stated, I mean, in regard to a large manufacturing concern in competition with one in St. Louis, is, I imagine, the unusual case and not the customary case. What you have in mind, I understand, is primarily that of the small businessman, who, of course, should receive careful consideration, but it is quite possible that if it is a local matter the people who are familiar with local conditions are a little bit better equipped to handle that than people who are not. When you attempt



to handle that nationally you haven't the amount of local knowledge that would exist and could be made applicable, in comparison to what would be the situation if it is handled purely as a local matter. I am not suggesting it should be handled that way, but it seems to me, as this matter has so much the element of a local one, that proper stress should be laid on the fact that local controls might be suitable and might be adequate.

Mr. LURIE. Well, I would suggest, if I may, with deference, Senator, that virtually every situation of this sort is local. It has to be within the given locality, and from that point of view it is a local situation, but it is impossible for me, coming from Massachusetts, to say to you: This is more than a local problem, and that is the reason that I have suggested that I deem that it is your task and duty and obligation to ascertain whether or not this, in fact, is more than a local situation in its implications.

From a business point of view, Senator, it is not possible to limit the effects of business disasters to small businessmen to a given locality if the disaster is going to be widespread among small businessmen. In other words, if small businessmen are going to be thrown out, forced into bankruptcy, and with the cessation of the European invasion and the coming of at least peace in Europe, with reconversion, with the collapse of the war boom and the moving down, if you have small businessmen that have been confronted with extensive rental increases such as I have mentioned here, you will have a disaster that will not only be local but may indeed become national because so many of these small businessmen are the customers for other businesses that are not within the locality. In other words, they drain—if you looked at the commercial maps, you would see it is very much like the freight-yard maps that one will see in the railroad, the lines jutting here and there, and there is the way you have the economic health, and if these small businesses go, if they are threatened, and if you have a coming back of what has happened in days gone by, then I suggest it isn't local and it becomes national.

Senator RADCLIFFE. Well, of course, that brings up a question which is naturally somewhat of a debatable one: That is, if local authorities will fail to do their duty, that the Federal Government must take over that responsibility. Now, I am very reluctant to assume that the Federal Government must step in and handle any matter of local concern merely because the local people don't do it. I think that is rather dangerous, and I hope we don't have to get into anything of that sort, and I am opposed to it. I think there is some such thing as local responsibility, and the local people should accept that. If they see fit not to accept it, it doesn't quite lie in their mouth simply to pass it up to the Federal Government and say, "We won't do what is obvious and what we ought to do. Now you go ahead and do it."

Mr. LURIE. Well, I would simply say that there were indications, at least, yesterday and I suggest from what Senator Mead said this morning of the passing, if I may say so, of the buck; that is, people going to the State—I can't say that I've done it because I have said to you I had not as yet done it, but from what I heard yesterday—and being told this is a Federal matter, and then coming here and being told that this is a State matter; and the result is that while you can say that, in the long run, to use the old economists' phrase, pari passu, you can say, in the long run, the situation will resolve itself, I suggest

to you that it is impossible for small business to wait for "in the long run" because small business, unlike big business, is not geared to survive, and not being geared to survive it dies, and if it dies extensively then I suggest that this country economically will find itself in an unhealthy state.

Senator RADCLIFFE. We have many matters in Maryland which I think could be changed to an advantage where our local authorities haven't gone as far as they ought to, but I am not ready to admit that because our people in Maryland are not doing what they can do and ought to do we must refer the matter to the Federal Government. And now there is a trend in that direction and it is a trend that is moving rather fast.

Mr. LURIE. If I may stress a personal opinion—and I don't want to intrude upon the time of the committee—I would personally like to see O. P. A. implemented with the power so that it can step in if the situation anywhere indicates a growing danger. I don't happen to like power; I have been, up until yesterday——

Senator TAFT. Our trouble with that theory is that we have found whenever we granted any Government agency that power it was only a very short time before they covered every State in the Union and every city in the United States. That is the difficulty with that theory, unless it is a Nation-wide condition. Now, it may be a Nation-wide condition, but this theory that you just let them step in one place does not work that way. Federal bureaus, when they start, they go, and they cover the whole field if you give them power to cover the field, and the only people who can prevent that would be Congress. So that we have the difficulty of saying that if there are few special local situations we would rather have the local people do it than set up a machinery costing millions of dollars and imposing on thousands of people a regulation they don't need, in order to deal with a situation in one or two places.

Mr. LURIE. Well, of course, if I—I don't believe you were here, Senator, when I was speaking earlier, and I don't want to repeat myself. I would simply say this. The question from my point of view is this: I do not presume to determine whether the situation that I have described in New Bedford is local in its entire implications. That is your job, based upon the information that will come to you. You will then determine what in your wisdom is the significance of this relatively small community that I have described and this situation within that community. You will then determine what is its significance, what are its portents. What does the bell say? Is it ringing the alarm or isn't it? Is it a true alarm or is it a false alarm?

I would say with reference to your statement as to the abuse of power that as I conceive it it is your function here to act as a check upon an abuse of power. If you have found—and I say if you have found—that there have been administrative bureaus here that have exceeded their powers or used them ill-advisedly, it is your function to remedy that situation.

Senator TAFT. Oh, no. No, no; that is not the fact. I mean that is the point I was trying to make. It is not the fact. They don't abuse their powers. I am not saying they abuse their powers. I am saying that you cannot effectively give a Federal bureau power to go into New Bedford unless you are willing to give them power to go into every city in the United States; and if you give them that power, the



power is exercised. That has been the history of all the Federal bureaus I know of.

Mr. LURIE. Well, I would say this, from no great experience with regard to Federal bureaus, and I would assume that either that power should have been exercised or there would have been investigations—and, I suggest, by the Senate and by the House—as to why they had gone in when they were not wanted. That is a problem that isn't for me to argue and debate.

Senator MAYBANK. I can answer that.

Senator TAFT. The investigations we made in connection with the O. P. A., for instance, haven't produced any results and never will. That is the chief answer. It is a wholly ineffective method of restraint, by investigation.

Senator MAYBANK. Not only that, but when O. P. A. has the power there will be some people, regardless of circumstances, that will complain, and bring them in there. They will read what happens in New York and they will borrow some complaint for themselves to bring the O. P. A. in there whether they want to do it or not.

You spoke of the war powers of the Governor of Massachusetts, and after an investigation. Of course, it is your thought that there should be a thorough investigation before anything would be done, to which I know we all agree. You believe, though, that the Governor under his war powers might act after investigation?

Mr. LURIE. I think so.

Senator MAYBANK. Do you know anything about the laws in New York insofar as war powers are concerned?

Mr. LURIE. No.

Senator MAYBANK. Do you?

Mr. LURIE. My legal knowledge terminates at the Massachusetts border.

Senator MAYBANK. Might I ask you?

Mr. HALPERIN. I don't think the Governor under the war-power legislation has the power to fix rents, and I fear that such legislation might very well be declared unconstitutional.

Senator MAYBANK. Well, now, what about the war power on rents in the case of the war workers you mentioned? In New Bedford all of these people were working for lend-lease or for something else, as I understand.

Mr. LURIE. That is right.

Senator MAYBANK. Navy, Army.

Mr. LURIE. That is right.

Mr. HALPERIN. I don't think that the Governor can declare such an emergency, and we fear, under the authorities, our constitution would declare it unconstitutional. Our old rent laws were enacted under the police power for the people.

Senator MAYBANK. Health; yes; I am familiar with that.

Mr. HALPERIN. Preserving the health of the people. And certainly nobody would say that the commercial people have their health involved as a matter of public demand.

Senator RADCLIFFE. You have stressed the element of time.

Mr. LURIE. Yes.

Senator RADCLIFFE. Well, couldn't the local authorities, even though it takes time, operate with less time than the Federal authorities? It seems to me that if this extension is granted, it means creating an

organization of the Federal Government; there is a lot of time involved, necessarily involved. Now, I am not familiar with the matter sufficiently to express or make any categorical statement, but it seems to me the local people who know the situation could handle it locally and make the necessary studies much more readily than a Federal Government can do if it has to be created and then function down the line.

Mr. LURIE. I think——

The CHAIRMAN. Suppose you were persuaded, Senator, that the State hasn't the authority, the power to do it; wouldn't you then be for national legislation? Or would you just let the people rot, or something of that kind?

Senator RADCLIFFE. Oh, no, Senator Wagner; I don't mean that at all. The general impression around here—I believe the statement was made just a little while ago that it might be unconstitutional; but that, since I have been here, is the first time that point has been pressed seriously. I haven't been here all the time, but I am assuming that there is some power to handle it locally. Now, if it can't, it brings up some other aspect.

The CHAIRMAN. Well, counsel to the Governor stated to, or wrote a letter to, the Senate Small Business Committee and the Truman committee formerly, and said that there wasn't any power in the State.

Senator TAFT. No; he did not, Senator. I read—the letter was read yesterday.

The CHAIRMAN. Well.

Senator TAFT. The letter said that he had no power today; he hasn't. But there is nothing to show that the New York Legislature hasn't power to enact such a law.

The CHAIRMAN. There wasn't anything technical about that, Senator, because he could have provided that legislation at any time, called them together. He did call them together on purpose.

Senator TAFT. Surely.

The CHAIRMAN. And he was asked then to deal with this subject, and he didn't deal with it. I submit it was because he thought he didn't have the authority.

Mr. LURIE. Senator, in answer to the question that you directed to me, let me say that this matter came to the office of those whom I represent 2 weeks ago. We then found that there was this present amendment pending, and therefore it seemed to us wise to present our information here for what it was worth. In other words, we felt that we wanted to pool this information. How deep the pool is on a national scale is for you gentlemen to determine. If we are simply a drop and you should find that there is no other replenishment of this stream of indignation, so that it is not of a Nation-wide scale, or if you find that it does not contain within itself the warnings of what may be a national disaster if inflation is hit by a speculating boom, speculators on the move, because money will move where money can get a quick return, and these men who are doing this hope for a quick return, therefore time became of the essence here; I do not want you to feel that we are left wholly without recourse, because I have not explored that recourse to the governor.

And I do not want, Senator, if I may say so, that when I expressed the opinion that our governor had the power, that this should be taken as authoritative. It would be presumptuous on my part to say that others may not find that there is a constitutional question. I believe that the powers conferred upon Governor Saltonstall by our legislature were such as to enable him, even if he could not handle the situation that had existed in the past, to prevent the thing from going on in the future. Whether there would be a constitutional question with regard to obstruction of the rights of those under contract is not fitting for me to discuss this morning.



Senator RADCLIFFE. Well, I think your statement has been very interesting and informative.

Senator TAFT. Yes.

Senator RADCLIFFE. But I am just reluctant to rush to the conclusion that if things are not done which can probably be done, and in many cases undoubtedly can be done locally, that the redress must be with the Federal Government.

Mr. LURIE. Thank you very much.

The CHAIRMAN. Thank you very much.

(Mr. Lurie withdrew from the committee table.)

The CHAIRMAN. Mr. Nelson.

## STATEMENT OF HERBERT U. NELSON, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

Mr. NELSON. Mr. Chairman, I ask the privilege of presenting a statement here which is brief, at the conclusion of which I would like to comment briefly on some of the evidence presented.

The CHAIRMAN. Very well.

Mr. NELSON. And I will discuss possibly some remedies.

The CHAIRMAN. Yes, sir.

Mr. NELSON. My name is Herbert U. Nelson. I am executive vice president of the National Association of Real Estate Boards. I appear here on behalf of the organized real-estate industry. My association represents approximately 710 local real-estate boards throughout the country, and our 23,000 members manage some 4,000,000 units of which approximately one-fourth are commercial.

I may recall to your committee that the proposal to control commercial rents has twice been before the Congress and that both times it has been rejected. Commercial rent control was first proposed early in the war and was voted down. It was proposed again last June in the House when the O. P. A. act was extended, and it was rejected virtually unanimously—only the one vote of its sponsor being cast in its favor.

Four official Federal agencies now have investigated the commercial rent problem. Their conclusions were unanimous. All of them reported within recent weeks that this is not a national problem and that national legislation is not needed. The agencies were the Small Business Committee of the Senate, the Department of Commerce, the Smaller War Plants Corporation, and the Office of Price Administration. Each agency was of the same opinion—that a national law is not needed now. O. P. A. itself reported to the Senate Small Business Committee that it did not see fit, at the time the committee conducted its investigation, to recommend any amendment extending its statutory authority to control commercial rents as proposed by the measure before you today.

Thus, there is already upon the record two refusals by the Congress to approve commercial rent control and recommendations from four examining agencies that commercial rent control not be enacted.

The handling of commercial space constitutes a very large part of the real-estate business. My industry deals every day with the problems of commercial space and rent. My industry, which knows this field, is unanimously opposed to commercial rent control. It is opposed not because it wants speculative and exorbitant rents—which it does not—but simply because there is no need for national control at the present time. This committee unquestionably will receive testimony concerning cases where unwarranted increases in commercial rents have been sought. I call your attention to the fact, however, that nearly all of these instances will be found to be concentrated in one or two cities. A situation confined to one or two cities does not warrant the imposition of controls over an entire nation.

Your committee must bear in mind that fact that the nature of commercial rents is extremely complex. Commercial rent control could mean the setting of individual ceilings for every commercial lease in existence. There are millions of commercial leases in the country. I could not guess at the total. Each is different from the other; each would require its own ceiling. There is no standard or uniform commercial lease. Rents for a store or a commercial property are not computed on the simple basis used in residential rents. Instead they reflect the volume of business, the percentage of profits earned, square feet of space, location, type of neighborhood, and other factors. The rents paid under such leases vary with the volume of business and type of business establishment. Commercial leasing is one of the most complicated of all real-estate operations. In our opinion it would virtually be impossible to promulgate standard ceilings for commercial establishments which would be fair to either owner or tenant. A number of efforts have been made to develop standard or uniform commercial leases, to deal with this very situation. None of these efforts, to my knowledge, have been very successful.

We cannot, therefore, approach commercial rent control in the same manner in which residential rent control has been handled. Even residential rent control, comparatively simple as it is, has turned out under the O. P. A. methods to be a highly complex system, causing much dissatisfaction and hardship. To have O. P. A. attempt to enter the commercial field would generate confusion, turmoil, and difficulties far more exasperating to tenants than any situation that exists today.

I want to point out to this committee with all the seriousness at my command, that the control of commercial rents would be one of the most complex and difficult, if not to say impossible, jobs ever attempted by any Government agency. My association favored the establishment of residential rent control. We aided in setting up the machinery. Our complaints about residential rent control have not been directed against the principle of controlling rents in wartime, but against the methods used by O. P. A. We have sought improvements in those methods but we have not attacked the principle of wartime control of residential rents. We go along with that, but we cannot approve an effort to control commercial rents as proposed in the amendment before you.

There can be only one justification for national control of commercial rents. That is the existence of general speculative, unwarranted,



and abnormal increases and other disruptive practices in commercial renting. Such general conditions do not exist. The evidence is abundantly clear on this point. That commercial rents have increased in some cities is true. That there have been normal, acceptable increases, generally modest in degree, is equally true. Such increases as have occurred, with few exceptions, have been entirely in line with increased volume of business and general price rises. I hope that you gentlemen are familiar with the work of the Senate Small Business Committee under Senator Murray on this question. The Senate Small Business Committee in its report on the problem (Rept. 12, pt. 6), in October of this year, pointed out that the committee had investigated 1,500 specific complaints of alleged commercial rent abuses. Of these, it reported that 1,300, or 92 percent, came from one locality. The O. P. A. went on record before Senator Murray's committee. Of this, the committee's report said, and I quote:

> The representative of the Office of Price Administration testified on the basis of the data in the files of that agency that the problem was apparently not national in scope but appeared to be confined to only a few localities. * * * Excepting a few isolated instances, no requests or petitions had been submitted to the Administrator for price increases based on commercial rent increases or threatened increases. In these circumstances, the Office of Price Administration did not see fit to recommend at this time any amendment extending its statutory authority to include control over commercial rents which it is now without power to regulate.

The Small Business Committee requested the Department of Commerce and the Smaller War Plants Corporation to secure statements from tenants, tenants' organizations, chambers of commerce, manufacturers' associations, smaller manufacturers, and other concerns and groups possessing first-hand knowledge of commercial conditions in their communities regarding business rents. The committee reported:

> In view of the evidence contained in this record in the form of complaints and other communications, testimony at its hearing of this subject, consultation with interested individuals and groups, and the reports of two executive agencies of the Federal Government, your committee concludes that the small-business problem posed by excessive increases in commercial rentals is not national in scope at this time and that Federal regulation through the Office of Price Administration or otherwise would not now be justified.

That report was published less than 60 days ago. Conditions have not changed since then.

I recognize that the argument can be made that the proposed amendment is merely permissive and would allow O. P. A. to take corrective action in those places where it is needed. There is an implication in this argument that O. P. A. would take action only where it is needed. You gentlemen are sufficiently familiar with the operation of O. P. A. to recognize that it just doesn't work that way. Once the process is set in motion, it is difficult to stop. Control in one city would soon spread to others. The personnel and the paper work that would be required in such a program staggers the imagination. To enact a national law to cure a situation existing in a few isolated cases would be like requiring people in every city to carry umbrellas when it rains in Washington.

The National Association of Real Estate Boards recently completed its forty-third semiannual survey of real-estate conditions, including commercial rents. This survey, which we have conducted for 22 years, is recognized as a standard business index. It reflects the facts. It

is carried out by local real-estate boards which report on conditions in their own communities. This year we had reports from 377 cities. I submit for the record as exhibit A the statistics on commercial space and rent which we developed in this survey. I will not go into the full details of these figures, but I do want to call attention to some of the high points. In office space we found that for the country as a whole there is a normal supply in 71 percent of the cities surveyed, and an oversupply in 24 percent. In only 5 percent was there a shortage. In war-industry areas the figures were nearly the same except that there is a shortage of office space in 19 percent of these areas.

As for retail business space for the country as a whole, there is a normal supply in one-half the cities and an oversupply in one-fourth. A shortage exists in 26 percent of the cities. The figures for war centers were practically identical. As for business property rents in central districts, we found that for the country as a whole business rents are the same as last year in 64 percent of the cities. Increases were noted in 35 percent of the cities. The figures for war centers were approximately the same.

Office rents in downtown areas for the country as a whole were found to be the same as last year in 80 percent of the communities surveyed and higher in 20 percent. In war industry areas, office rents were the same as a year ago in 76 percent of the cities and higher in 24 percent.

I suggest that this committee study the figures in this exhibit. They make clear the fact that increases have not occurred in a majority of the cities. They show, instead, that in most cases commercial rents are staying on a fairly stable level.

We wanted to test the commercial rent situation in a little more detail and selected 31 typical American cities, large and small, located both in congested war centers and in nonwar centers. Local real-estate boards in each city were requested to report whether there had been increases in commercial rent; whether such increases that had occurred represented normal adjustments and whether there was any gouging in commercial rents. Out of 28 cities reporting on the question of gouging, only 1 city said that it existed and in that instance that it existed only in a few cases. Both of these surveys showed that, although commercial rents had increased in some cities, the increases in every case were considered to be normal and completely acceptable to the tenants involved. Practically all the increases can be attributed to the use of commercial leases which provide for adjustments in rent according to the volume of business or to other leases having the same effect. A merchant in a good location operating under a percentage lease knows perfectly well that as his business increases and his profits increase his rents will rise under stipulated schedules to which he has agreed.

Universally our members reported that such increases as have occurred in nearly 100 percent of the cases have been reasonable, normal increases which were understood by the tenant and acceptable to him. The troubles that have arisen have been the exceptions which proved the rule. Those exceptions, I am glad to say, have been comparatively few in number and have been concentrated in one or two cities.

The greatest problem in commercial space seems to exist in loft buildings and warehouse space. This can be attributed directly to the enormous demands of the armed forces for loft and warehouse space. Military needs have put tremendous pressure on this kind of space. Increases that have occurred in loft and warehouse rents can be laid directly at this particular doorstep. We are working on this problem in a special effort to find additional warehouse space for the Army and the Navy.



That seems to be the picture as we see it. It is our firm conviction that rent control should be directed against speculative, manipulative, and gouging practices. Where they exist, they should be stopped. That is the basis of the residential rent-control law. No general speculative, manipulative, and gouging practices have been shown in commercial rents. The evidence is completely to the contrary. The trouble appears to be confined principally to a few cases. We believe it is bad government to clamp restrictions on all citizens because of the faults of an isolated few. Commercial rent control in those few places where it may prove to be desirable is a matter for local handling, and not national.

It is the earnest recommendation of the real-estate industry, which is close to this picture, that the proposed amendment be not enacted.

Then, gentlemen, there follows this table which perhaps you wish to look at in some detail, with respect to office space, showing the normal supply in 71 percent of the cities, oversupply in 24 percent, and shortage in only 5 percent.

With figures for the war industry areas: normal supply in 60 percent of the cities, oversupply in 21 percent, which does not indicate a great stringency, and a shortage in only 19 percent.

Senator BUTLER. Mr. Nelson, in connection with that survey, you spoke of the number of members that you had, approximately 700, something over 700. Is a proper percent of the members of your association represented in New York City?

Mr. NELSON. Yes.

Senator BUTLER. Do you have them there?

Mr. NELSON. We have. The Real Estate Board of New York is a part of our group, but the Real Estate Board of New York did not report on this survey.

Senator TAFT. What have you to say about the New York situation?

Mr. NELSON. Well, Senator, I listened to the testimony yesterday, and undoubtedly there are cases of rent gouging. We don't deny that such situations exist. It is my belief that no evidence was presented to show that these rent increases have any effect upon the prices charged to the public, and that the public interest has not been affected. The shortage of space in New York and other cities has created a situation where, of course, the landlord is in a more powerful position to enforce demands for increased rent in some industries. The textile industry in New York appears to be booming. Apparently some of the landlords have decided to declare themselves in on some of those profits. Whether or not the increased rents represent any increased ratio of rent to gross sales is something that we would like to know and something which I believe the committee is entitled to know.

Senator TAFT. Are there any standards in the real-estate industry generally, or any relation between the gross sales of manufacturing businesses occupying loft space and the rental of loft space?

Mr. NELSON. I don't think they exist in the case of loft industries.

Senator TAFT. That is general in the retail business, I suppose?
Mr. NELSON. In the retail business it is general.
Senator TAFT. And it varies with different industries?
Mr. NELSON. Yes.
Senator TAFT. I mean, some industries pay more or a bigger percentage for rent than others; is that correct?
Mr. NELSON. Yes.
Senator TAFT. But as far as you know it has no particular—there is no such standard in the manufacturing loft-space business?
Mr. NELSON. I do not know of any.

With respect to retail business the ratio of rent to gross business has been worked up pretty carefully. The Harvard Business Institute has for some years made frequent studies of those ratios, and they include not only percentage leases but the ratio of fixed rents to gross business. So that those figures are available. We have ourselves made, oh, biennial studies of what we call percentage leases, and they vary for different types of retail business, depending——

Senator TAFT. Mr. Nelson, my impression is that if the war went on very long we would have to impose a control of business rents. I don't know about office buildings; that might not be necessary. But my only hesitation is as to whether we are not getting close enough to the end to postpone it. But logically it is pretty hard to get away from the control of business rents if this thing spreads at all or becomes general, because certainly if it gets into the retail business, retail store business, it does have an effect on inflation. My principal doubt is one of timing. I have a feeling, I say, that if the war goes on very long I would be inclined to think we ought to go ahead with the control, but right at the present moment I am rather doubtful whether we are at the point where it is general enough and where its effect on inflation is clear enough to justify it; but I think if this New York condition goes on and spreads, as presumably it will, the time will come pretty soon when we shall have to do something on a national basis. At the present it seems to me New York may take care of it, the legislature, but——

The CHAIRMAN. Which? New York State?

Senator TAFT. New York State. The legislature meets the 1st of January, and I would be inclined to say it is up to them to deal with that particular situation; but if it isn't dealt with and if it spreads, I think we are up against a problem we can't very well postpone, in spite of the increased regulation and the injustice of freezing, which I would like to keep away from if we could.

Senator HAWKES. Mr. Chairman, might I ask Mr. Nelson this question:

On page 2 you say, "But I call your attention to the fact that nearly all of these instances will be found to be concentrated in one or two cities." Then when you were asked if you had taken into consideration New York City, you said no. Now, could you enlighten us on what cities you had in mind when you said, "one or two cities"?

Mr. NELSON. I had New York in mind.

Senator HAWKES. Well, then you said you hadn't gotten reports from New York.

Mr. NELSON. No; but we know of the situation.

Senator HAWKES. How is that?

Mr. NELSON. We know of the situation there.



Senator HAWKES. Well, are there any other cities in which you know of a similar situation existing?

Mr. NELSON. I do not.

Mr. Chairman, may I——

The CHAIRMAN. You heard the testimony of Mr. Lurie a moment ago, didn't you?

Mr. NELSON. Yes.

The CHAIRMAN. Of New Bedford, Mass.

Mr. NELSON. Yes.

The CHAIRMAN. Well, wasn't that a case of gouging, wouldn't you say?

Mr. NELSON. I would.

The CHAIRMAN. Well, what are we going to do about these cases of gouging?

Mr. NELSON. Well, Senator, I would like to suggest a possible method of procedure which might cure abuses but would not involve the necessity of imposing a general ceiling or a freeze on all commercial rents. Senator Taft mentioned that several times yesterday, and we have discussed it informally but have no specific measure to propose. We thought that it might be possible for Congress to give to the Federal courts, the district courts, certain powers to appoint referees who might have the right to hear complaints, so that a referee would act only upon complaint.

Senator TAFT. I do not believe that would be very practical. I think if you are going to have control, you will have O. P. A. control or nothing. I don't see where we can go between. We might write into the O. P. A. control certain restrictions, but I think it will be an O. P. A. control.

The CHAIRMAN. What would a judge do or what would a court do, in your theory? Decide on what a fair rental is?

Mr. NELSON. No. Our thought was that a Federal judge might, upon proper showing from public officials and others locally, appoint a referee who under the Federal law would have the power to hear cases or complaints with respect to any excessive rentals charged. Complaints would only be heard if a showing could be made by the complainant that the rents asked were out of line with those for the particular activity or industry in which the complainant was engaged. Now that would enable you, both by action and by the threatened control, to keep a ceiling on rent gouging without subjecting the entire, vast structure of business to a very irksome and a very costly new control.

The CHAIRMAN. Of course, the action by O. P. A. in the case of housing is irksome in many cases. We had to do it, didn't we, and you agreed to it?

Mr. NELSON. Yes, we did.

The CHAIRMAN. Well, now, if this gouging becomes irksome, as it undoubtedly will, are we going to be prostrate here, just the Government say, "There is nothing we can do about it. These men will have to starve or lose their business or something, but we are helpless"?

Mr. NELSON. Well, Senator, we recognize that sharp increases in residential rents throughout the Nation were inflationary. There wasn't any question about that.

The CHAIRMAN. And unfair.

Mr. NELSON. We do not accept the thesis that a certain number of increases, when they affect only a small minority of business, are necessarily inflationary. We have heard no evidence to that effect. We have heard no evidence anywhere that prices have anywhere been increased by reason of increased rentals.

The CHAIRMAN. Well, you have heard the testimony with reference to New York City; didn't you?

Mr. NELSON. Yes. There was nothing said yesterday to show that any commodity had been increased in price 1 cent by reason of any increase in rents.

Senator BUTLER. Mr. Nelson.

Mr. NELSON. That doesn't mean that I condone rent gouging, but I am going to the public interest that is involved.

The CHAIRMAN. Well, the O. P. A. restrictions prevent them from increasing their prices.

Mr. NELSON. Yes.

The CHAIRMAN. And that is the difficulty. Here is the tenant who says, "I can't charge any more for the things upon which I make a profit."

Mr. NELSON. Yes.

The CHAIRMAN. "But here is this tremendous increase in rent that is asked of me. I can't pay it." And the landlord says, "Well, if you can't, you get out. That's all." And there is not any place for him to go. Now, what is he going to do? Is the Government going to say, "We are helpless; we can't do anything for you"?

Mr. NELSON. Well, I don't know that the Government has——

The CHAIRMAN. That wouldn't be my idea of government.

Senator TAFT. That is what the Government said in time of peace, Senator. It is only the inflationary effect of war that gives us any interest whatever in the rentals in New York City, it seems to me.

The CHAIRMAN. I think it is the duty of government to protect its people, and it is the theory I will go on.

Mr. NELSON. Well, many——

Senator BUTLER. Would you do this in time of peace, Senator?

The CHAIRMAN. I don't know about the gouge situation, of course. What are we going to do?

Senator BUTLER. Well, those things generally work themselves out.

The CHAIRMAN. I know—we have heard that before. Mr. Hoover said that.

Senator BUTLER. If a group of New York real estate holders play their game too far, why, they will drive industry away from there.

The CHAIRMAN. Where are they going? That is the difficulty.

Senator BUTLER. Ultimately the property owners will suffer for the unwise policy that they have followed.

The CHAIRMAN. What happens to the people in the meantime? That is what I am concerned with, where they have nowhere to go; there is no competition. That is the difficulty.

Senator BUTLER. Well, there is one point that I would like to ask Mr. Nelson's opinion on as a specialist in this line: When rentals get to a high point, ordinarily, in commercial centers, the property owner and the tenant ultimately get together on a percentage agreement.

Mr. NELSON. It is very common.

Senator BUTLER. I wonder if an attempt has been made in this area up there—now, there is no doubt but what the increase has been considerable on the overhead of the owners of these properties. The taxes have gone up. Labor and expense for servicing their buildings have gone up. Any repairs, if they have any—I suppose they do, naturally—they have all increased. So there is some logic for an increase in rental, no doubt. But there is no occasion for people who want to be tricky trying to run any man out of his place of business, and nobody could countenance such a thing, and only those who are completely unprincipled would attempt to do any such thing. They can't be very great in number, and I think public sentiment would take care of the situation in a great many areas if public sentiment could be educated enough and it could be advertised enough and they would have some reasons for it; and I want to offer this one suggestion: Let the property owners and the tenants try to get together on a percentage basis on these lofts and other congested areas for the time being.



Senator RADCLIFFE. Senator Butler, when you spoke of the possibilities, in your opinion, of public sentiment doing something, did you have in mind any special agencies? For instance, could a real estate association, irrespective of whether it has any authority or not—it may have no authority. Do you feel that that might be helpful in a matter of that kind, especially?

Senator BUTLER. Well, there is any number of organizations in every community which will be called for.

Senator RADCLIFFE. Well, I realize that, but I simply mentioned one which is close to the business.

Senator TAFT. There is a certain responsibility in real estate boards to do that very thing, I would say.

Mr. NELSON. Yes. We have repeatedly attempted to do so. Now, 3 years, 3½ years ago, we set up what we call fair-rent committees in a great many cities, and they were functioning very well; but when the national Price Control Act was enacted most of those committees were compelled to pass out of the picture because O. P. A. moved right in.

Senator BUTLER. Well, along that line, couldn't you now, as a business group, recommend the appointment of fair rental committees that might not have the force of law back of them, as O. P. A. has, but at the same time it would be a tremendous influence that would tide us over? We are surely approaching the time when this is not going to be necessary.

Mr. NELSON. I think we could do so.

Senator RADCLIFFE. Mr. Nelson, could you be a little more concrete as to what happened? I understood you to say that they have been rather helpful. Now you are referring to what took place in peacetimes, and that the real-estate boards did function and were somewhat helpful.

Mr. NELSON. Yes.

Senator RADCLIFFE. Could you be a little more concrete in that and point out anything they did do or did not do or any specific progress they made? And I do not ask you to cite any particular case; but merely a statement that they had been somewhat helpful, of course, is a little abstract, and I wondered if you could be—I don't know whether you could—be a little more definite.

Mr. NELSON. Well, Senator, we did set up fair rent committees in about 30 cities where the early congestion came due to war industry,

including such cities as Detroit, and those fair-rent committees were not altogether informal. They were usually appointed by the mayor and the city council, so that they had a certain sanction from local government, and they represented a variety of interests, not merely realty interests, but labor would be represented as well as banking and real estate owners and public officials, and they functioned very well; but as the congestion increased O. P. A. felt that it was necessary to move in, and they did so, and those committees were dismissed.

Senator RADCLIFFE. Well, let me be just specific for a moment: A case of what I assume was gouging—that is, what little evidence we have on the subject would seem to indicate that—where rent was increased from $30 to $100. Now, I don't know anything about the circumstances there, but it would certainly look clearly on its face like a case of gouging. Suppose the committee to which you have reference had before it an instance of that kind; what would they do, and what was the effect?

Mr. NELSON. Well, the records that we have are rather scanty on hearings of these committees, but in many cases they would send somebody who knew property values and rents out to inspect a property, who would come back and report. They would bring the owner and the tenant in, and they would often arrive at an adjustment, and it was a type of voluntary arbitration.

Senator RADCLIFFE. I mean if the owner stood pat.

Mr. NELSON. They had no recourse.

Senator RADCLIFFE. No, of course, he has no power, but was there anything in the way of, we will say, public sentiment or anything which would discourage the owner from standing pat?

Mr. NELSON. Yes; there was, and is. Our industry certainly does not condone anything in the way of rent gouging. And may I say on that point that nobody has more to lose and more to fear from a speculative real-estate boom than we do. We have had a very bitter and unhappy experience. Two or three years of excessive prosperity were followed by 15 or 16 years of real-estate depression.

Senator RADCLIFFE. Yes.

Mr. NELSON. And we have no desire to see either runaway rentals or runaway sales prices.

The CHAIRMAN. But, Mr. Nelson, of course, when I am talking about this I have a lot of friends who are the owners of property who are very fine, high-class people, who wouldn't think of overcharging or gouging or anything of that kind, and I am not talking about them. I am talking about this minority that you have to deal with. The mayor's committee on rent control, I think it was called, or something of that kind, had two members of the real estate board on this committee, and they did their best to try and prevent gouging, but they were helpless, and they asked the State legislature to intervene, and the State legislature didn't intervene. They talked but they did nothing. And so here is this minority that is gouging; I mean there is no question about that. I am not talking about the large majority of property owners who are fine citizens, but we have got to take care of the people who are being oppressed by these few.

Now, what are we going to do? The State says, "We cannot interfere." The city hasn't the power to interfere. And here is a matter before us. Now, are we going to sit back and let this tragedy happen to a number of people and say we are just helpless under our form of



government to help them; they have just got to suffer? It doesn't seem reasonable to me.

The same argument was made under the old law on the health proposition, but I was a judge then, and I heard both sides, and this one side talked about the Constitution and everything. They talked about everything except these poor people who were destined to have pestilence and all sorts of things in the city if this gouging hadn't been stopped, and it was stopped by the legislature. In fact, it was held constitutional, closely. It went all the way, Senator Taft, as I said a moment ago, to the United States Supreme Court, and it was upheld by a close vote of 5 to 4.

But now we have this situation in the midst of war where these plants—where these men have nowhere to go. They have either got to pay this high price or lose their business, and under those circumstances it seems to me that the legislature must be in a position to prevent that sort of disruption. And that is what I am appealing to you now, because I know you want to be fair and your organization does. So many of them are my own friends. I know them well. But this proposition of having a judge simply look into the matter and probably see perhaps gouging but not able to do anything about it, it seems to me, is helpless. That is why I have been trying; that is why I proposed this legislation, to which, of course, a lot of amendments will have to be made; there is no question about it.

But what are we going to do for these people? I cannot feel happy sitting aside and saying that somebody else's business is not ours, and in the meantime let these little businesses go under. And I do not think any member of the committee wants to do it, except we differ on the question as to how shall we help them. That is where you ought to help us.

Mr. NELSON. Senator, since so much of the discussion has centered around what has happened in the city of New York——

The CHAIRMAN. Well, no; Senator Mead testified this morning that it is happening in other places, too, and he was not in agreement with your statement that the small business men's committee was opposed to any commercial rent control. He didn't say so in this statement to us.

Mr. NELSON. Well, I was quoting from the report.

The CHAIRMAN. Yes; I know you were.

Senator TAFT. He and Senator Murray, I take it, spoke for themselves only.

Mr. NELSON. Yes.

Senator TAFT. There has been no meeting of the Small Business Committee to reverse the report made by the committee as a committee.

Mr. NELSON. That is right.

The CHAIRMAN. Well, I didn't know that. Of course, I am not a member of the committee.

Mr. NELSON. Senator, Mr. Clark Dailey, a former president of the New York board——

The CHAIRMAN. I know him well.

Mr. NELSON. And some of his associates are here.

The CHAIRMAN. Yes.

Mr. NELSON. And they know that New York situation so much better than I do——

The CHAIRMAN. Well, all right, then.

Mr. NELSON. That any questions with relation to what exists and what might be done should, I think, be answered by them because it can be done much more intelligently.

The CHAIRMAN. All right. Any other questions of Mr. Nelson?

Senator HAWKES. Mr. Chairman, I would still like to see if Mr. Nelson can throw any light on that question I have asked of each witness, as to whether you have any comparison of the rents being asked today as compared with the average rent over the period of 10 years or from the 1920 period forward. I think that is a very vital thing. It is going to be vital to me in whatever I vote in this situation.

Mr. NELSON. We do not have such a thing as a detailed business rental index.

Senator HAWKES. No?

Mr. NELSON. It is a very complicated thing to construct, and as far as I know it doesn't exist except as matters of general opinion. There was set up in the Government, with our assistance, a continuing index of residential rents. That is in the Bureau of Labor Statistics, and they have taken approximately a hundred cities and they have selected dependable properties in management and real estate offices in those cities, and that is reviewed I think quarterly and the index is maintained, but there is nothing to compare with that in the business rental field.

You asked another question, Senator, which interested us a great deal and on which we would like to gather information for submission to this committee. It will take some time. And that was something about the stability of the rental ratio, of the rental dollar in its ratio to gross business. We had here yesterday, Mr. Cincotta, of the Greenfield Co., in Philadelphia, and Mr. Boyd Barnard, another lease expert, and they both said that we would be justified in saying, even though we do not now have the proof, that the ratio in the real-estate business of rents to gross business has decreased in the past 2 or 3 years because the volume has gone up so much faster than the rental increases that have been imposed. Of course, with relation to the percentage lease the ratio is obviously a constant, but fixed rentals have not advanced as fast as the gross volume of real-estate business.

Senator TAFT. Mr. Nelson, I have only one comment more to make, and that is that regardless of what the committee does on this bill I feel very confident that unless the situation is corrected—and if it isn't corrected it is bound to get worse, it seems to me—that when the Price Control Act is renewed next, probably May, we will have it up—April or May—we will extend this to business rents.

Mr. NELSON. Yes.

Senator TAFT. So that I think, I say, regardless of what is done here, it would be unfortunate if, because we fail to pass this law, the real-estate interests don't take a very active interest in seeing that something is done to correct the situation where it does arise. I just want to make that suggestion to you and your associates.

Mr. NELSON. I assure you we will try, Senator.

Senator TAFT. We have to renew the act, you know.

Mr. NELSON. That is right.

Senator TAFT. We have to renew the act next—as from the 1st of July. It will probably be renewed for at least a year; and certainly, if the war is still on, the question of business rents will be a very vital question then, and my opinion—just prediction—is that it will go through.



The CHAIRMAN. Yes.

Senator BUTLER. I would venture the question that some arrangement might be made in the law at the same time that would not give the landlord the benefit of having advanced in the meantime.

Senator TAFT. Yes; I have some ideas along that line, too.

Senator BUTLER. So that it will really, I think, revert to the disadvantage of the landlord who abused the situation, rather than to his advantage.

The CHAIRMAN. It has been held that there is legal constitutional authority to do that, to reduce rents.

Mr. NELSON. Yes.

The CHAIRMAN. What percentage of the increase has been on those commercial properties which have advanced in rents? Do you remember what the advance was, about, the percentage, would you say?

Mr. NELSON. Not over 10 percent, as a general figure.

The CHAIRMAN. Well, you have heard a great deal of testimony.

Mr. NELSON. That doesn't include, of course, these very sharp advances that we heard about yesterday; but where there have been increases they have been modest.

The CHAIRMAN. Well, not the cases that have been before our committee.

Mr. NELSON. No; you have had very extreme cases before your committee.

The CHAIRMAN. Yes; I suppose so. That was yesterday and today.

Mr. NELSON. Yes.

The CHAIRMAN. They have been what? Three or two hundred percent?

Mr. NELSON. That is right.

The CHAIRMAN. Yes.

Mr. NELSON. This is a table showing the ratio of rent to gross business in the case of percentage leases. I don't know that the committee is interested in having that in the record.

Senator TAFT. Yes; I think we ought to have it.

The CHAIRMAN. Yes; we ought to have it.

Mr. NELSON. If you like.

Senator TAFT. I will be glad to have one if you have an extra one.

Mr. NELSON. Yes; I have a number prepared here.

(The table is as follows:)

| Type of store | Percent for rent | | | | |
|---|---|---|---|---|---|
| | Bangs | Beggs | Campbell | Roe | Slosson |
| Art shops | 10 | 8–10 | 8–10 | 10–12 | 10 |
| Auto accessories | 10 | 6–8 | 5–7 | 6–8 | 7–10 |
| Auto agencies | | | 2–2½ | 1½–2½ | 3–4 |
| Bakeries | 6–8 | 5–6 | 6–8 | 6–7 | 6–9 |
| Barber shops | 12 | 10 | 15 | 10–15 | 10–15 |
| Beauty shops (merchandise) | | 10 | | 10 | 10–15 |
| Beauty shops (service) | to 20 | 10–13 | 15 | 12½–15 | 15–20 |
| Beer parlors | | 8 | | 8–10 | |
| Books and stationery | 8–10 | 10 | 10–12 | 8–10 | 10–12 |
| Books, second-hand | | 12 | | 12–15 | 12–15 |
| Candy | 8–10 | 10–12 | 10–12 | 7–10 | 8–10 |
| Candy (with luncheon) | | | 8–10 | 10–12½ | |
| Cigars and tobacco | 5–6 | 6–7 | 5–6 | 5–6 | 7–10 |

| Type of store | Percent for rent | | | | |
|---|---|---|---|---|---|
| | Bangs | Beggs | Campbell | Roe | Slosson |
| Cleaning and dyeing | 8–10 | 8 | | 10 | |
| Cocktail lounge | 8–10 | 8 | | 8–10 | 8–10 |
| Credit clothing | 5–7 | 4–6 | 5–6 | 5–8 | 7–10 |
| Department stores | 3–4 | 2½–4 | 3–4 | 3–4 | 3–5 |
| Drug stores (chain) | 4 | 4–7 | 6–8 | 5–7 | 6–9 |
| Drug stores (individual) | 7 | 8 | 8–10 | 6–9 | 8–10 |
| Electrical goods | | 5–6 | | 5–7 | 5–7 |
| Florists | 12 | 8–10 | 10–15 | 10–15 | 10–12 |
| Fruit stores | 10–15 | | | | 12–15 |
| Fruits and vegetables | | | | 10–12 | 12–15 |
| Furs | 10–12 | 8–10 | 8–10 | 8–10 | 8–10 |
| Furniture | 6 | 5–6 | 6–8 | 5–7 | 8 |
| Furniture (credit) | 5–6 | 5–7 | 4–6 | 6–8 | 8–10 |
| Garage (storage) | | [1] 45<br>[2] 10 | | 40–50 | 40–50 |
| Gas stations | [3] | [4] 5 | [3] | [3] | [3] |
| Grocery stores (ordinary) | 6 | 3–5 | 3–5 | 3–5 | 6–8 |
| Grocery stores (chain) | 2–3 | 2–3 | 2–3 | 2½–4 | 2½–4 |
| Hardware | 6–8 | 5–7 | 6–9 | 5–7 | 6–8 |
| Hosiery and knit goods | 10 | 7–10 | 10 | 8–10 | 8–10 |
| Jewelry | 8–10 | 8–10 | 10–12 | 8–10 | 10–12 |
| Jewelry (cheap costume) | 10–15 | 10 | 12 | | 12 |
| Jewelry (exclusive) | 4–5 | 8–10 | 12–15 | 10–15 | 10–15 |
| Linens | 12–15 | 8–10 | | | 10–15 |
| Liquor stores | 5–6 | | 7–8 | | 7–9 |
| Meat markets | 5–6 | 4–5 | 5–7 | 5–7 | 4–6 |
| Meat markets (chain) | | | 4–6 | 4–6 | 4–6 |
| Men's clothing | 5–7 | 5–6 | 6–8 | 6–8 | 6–8 |
| Men's furnishings | 10 | 7–9 | 10 | 8–10 | 8–11 |
| Men's hats | 6–8 | 7–9 | 8–10 | 8–10 | 8–12 |
| Men's shoes | 6–8 | 6–8 | 7–8 | 7–9 | 7–10 |
| Men's shoes (volume) | 5–6 | 5–6 | 6–8 | 6–8 | 6–8 |
| Men's tailors | 7–8 | 6–7 | | | 7–9 |
| Millinery | 10–12 | 12½–15 | 10–15 | 10–15 | 12–15 |
| Motion pictures | | 8–10 | 15–20 | 15–20 | 12½–25 |
| Optical stores | 10–15 | 8–10 | 10–12 | 10–12 | 10–12 |
| Paint, wall paper supplies | | | | | 10 |
| Parking lots | | 50 | | 50 | 40–50 |
| Pianos and musical instruments | 6–8 | 6 | | 6–8 | 7–9 |
| Radios | 5–7 | 6 | | 6–8 | 6–9 |
| Radios and electrical | 8 | 6–8 | 8–10 | | |
| Restaurants | 8–10 | 5–10 | 8–9 | 8–10 | 8–10 |
| Cafeterias | 5–7 | 7–8 | 7–8 | 5–7 | 7–8 |
| Luncheonettes | 10 | 6–8 | 8–10 | | 8–10 |
| Tea rooms | 10 | 5 | 10 | | 10 |
| Specialty stores (nonadvertising) | 7–8 | 8–10 | 8–10 | | |
| Sporting goods | 7 | 6 | 7–9 | 6–8 | 8–10 |
| Theaters (combiantion vaudeville and motion pictures) | | | 12–15 | 12½ | |
| Trunks and leather goods | 10 | 10 | 10 | 8–10 | 8–10 |
| Women's cloaks and suits | 7–8 | 6–8 | 7–8 | 6–8 | 7–9 |
| Women's cotton wear | | 7 | | 8 | 8–10 |
| Women's furnishings | 8–10 | 6–8 | 8–10 | 8–10 | 8–10 |
| Women's shoes | 8–10 | 8–10 | 7–8 | 7–10 | 8–10 |
| Women's shoes (volume) | 6–7 | 6–8 | 6–8 | 6–8 | 6–8 |
| 5-10¢ or 25¢ $2 stores | 5–7 | 4–6 | 5–7 | 5–7 | 5–8 |

[1] Storage.
[2] Sales.
[3] 1–1½ cents per gallon.
[4] Or 1 cent per gallon.
[5] 1 cent per gallon; 1 cent per quart of oil.

What percentage of gross sales can stores pay for rent under the percentage type of lease? In the composite table above 5 store leasing experts in different sections of the country give the answer. They are: H. Clifford Bangs, Washington, D. C.; George J. Beggs, of Norris, Beggs & Simpson, Portland, Oreg.; Harry S. Campbell, of Vought, Campbell, Ward & Co., New York City; Stanley Roe, of the Mark Levy Realty Co., Chicago; and Frank S. Slosson, of Hooker, Slosson & Randell, Chicago. All of these figures have been checked recently with the authors, and are reliable as general guides in store leasing. All of the authors agree that in individual deals there are many factors which will influence the final percentage, these figures being only guides.

(Mr. Nelson withdrew from the committee table.)

The CHAIRMAN. Next, Mr. Whiston.

Senator HAWKES. Mr. Chairman, I wanted to ask the privilege of introducing into the record a statement made by Mr. E. L. Upton, the executive secretary of the Association of Building Owners and Managers of Oklahoma City, which has been presented by Senator Moore's secretary while he is out of the city.



The CHAIRMAN. Yes.

Senator HAWKES. It deals with the same problem that we have just been listening to.

The CHAIRMAN. Yes, certainly.

(The statement of the Association of Building Owners and Managers of Oklahoma City referred to is as follows:)

NOVEMBER 30, 1944.

*To the Honorable Members of the Banking and Currency Committee of the United States Senate.*

GENTLEMEN: We are pleased to bring you information on the operation of office buildings in Oklahoma City for your consideration in connection with Senate bill 2176. This is presented in behalf of the Oklhoma City Association of Building Owners and Managers in opposition to this measure.

Attached hereto are actual operating figures and a chart showing percentage variations in gross income, price per square foot, operating ratio expense to income, square foot occupancy, and percentage of occupancy, covering the years 1931 to November 1, 1944, with the 10-month 1944 experience projected on an annual basis for the purpose of comparison with operating experience for former years. This study covers 16 buildings named therein with a total office rentable area of 1,237,554 square feet, which is 84 percent of the total office rentable area in the 26 office buildings in Oklahoma City.

Assuming that your immediate interest is in the trend of rental schedudes and average occupancy in the various localities, I call your attention to the fact that the average rate per square foot for the 1,022,368 average square feet occupied in these buildings during 1944 is $1.595. This compares with $1.56 per square foot on 950,195 square foot average occupancy for the year 1943 or $1.64 per square foot average for the 898,437 square foot average occupancy in these buildings for the year 1939, the last pre-war year.

From these figures we must conclude that, rather than showing an inflationary tendency as a result of war activities, these buildings have suffered as a result thereof. We believe statistics on office building operation in most other localities will conform generally to this pattern. Although this chart will show that occupancy has increased approximately 9 percent since 1939, it also reveals that the operating ratio expense to income has risen 12 percent from the year 1939 through 1943. The figures on this operation are not available for the year 1944, but the trend is definitely upward and we believe it will finally be shown to have risen a total of 20 percent through the year 1944. Pay rolls alone have increased from 33 to 38 percent of gross income in 2 years. The average occupancy in these buildings for 1944 is 82.64 percent.

The members of our association are opposed to this bill for the following reasons:

1. There is no indication of a general need for the application of the Price Control Act to office rents. The information we have received indicates that practically the only demand for broadening the base of the Price Control Act to include "business accommodations" comes from leases of loft building space, the operation of which is of an entirely different character than the operation of office buildings. If it is found that the need exists for controls in that field, the application of the law should be confined thereto.

2. The administration of rent control for office space would involve almost insurmountable difficulties due to the fact that much of this space is already under lease for different periods of time and no set rule can apply to the value of space in the different areas of a building.

3. The bill under consideration leaves it entirely to the discretion of the Rent Administrator to determine how rates shall be arrived at and the date that should apply in the different defense areas. We believe any legislation dealing with this problem should place some definite limitations on the application of the law and that it should certainly not be applied in any area that has as much as 5 percent vacancy, since the law of supply and demand will keep down inflationary and abnormal increases in prices where such vacancies exist.

4. The application of this law generally would greatly increase the work load of the Office of Price Administration, necessitating a large increase in the staff and in the expenditure of funds while both such manpower and funds are needed in the war effort.

We urge your disapproval of this measure.

Respectfullly submitted.

E. L. UPTON,
*Executive Secretary,*
*Oklahoma City Association of Building Owners and Managers.*

ELU/f

*Oklahoma City Association of building owners and managers—Over-all survey as of 16 buildings as listed*

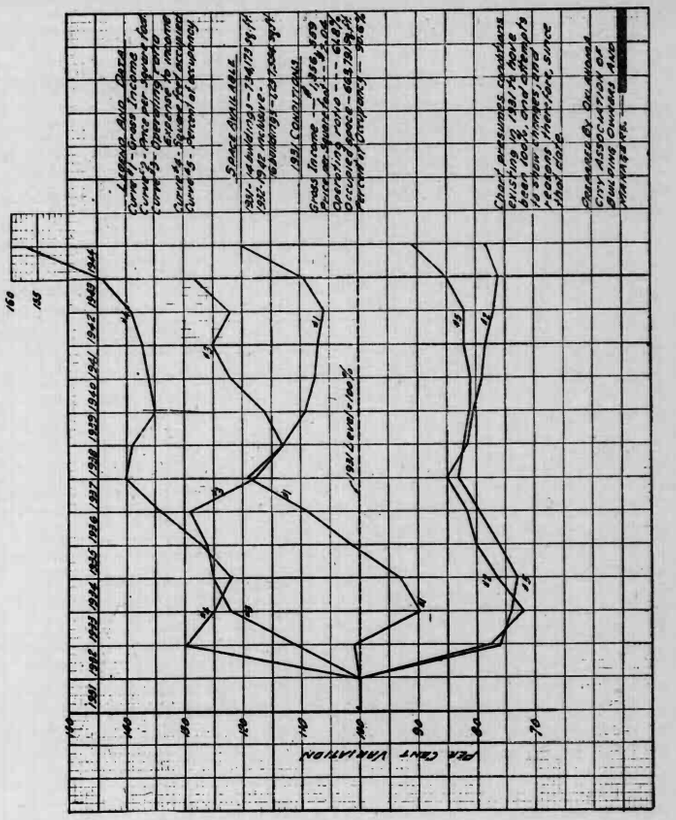
| Year | Total income from offices | Average occupancy | Average occupied space | Average annual rate per square foot | Year | Total income from offices | Average occupancy | Average occupied space | Average annual rate per square foot |
|---|---|---|---|---|---|---|---|---|---|
| | | *Percent* | *Square feet* | | | | *Percent* | *Square feet* | |
| 1931 | $1,356,559 | 90.6 | 663,791 | $2.04 | 1938 | $1,528,362 | 74.0 | 920,766 | $1.66 |
| 1932 | 1,367,226 | 69.0 | 864,569 | 1.58 | 1939 | 1,476,523 | 73.0 | 898,437 | 1.64 |
| 1933 | 1,216,144 | 67.0 | 828,255 | 1.47 | 1940 | 1,455,754 | 73.0 | 900,626 | 1.61 |
| 1934 | 1,261,823 | 66.0 | 808,162 | 1.56 | 1941 | 1,451,012 | 74.0 | 909,364 | 1.60 |
| 1935 | 1,372,202 | 69.0 | 844,275 | 1.63 | 1942 | 1,437,684 | 74.0 | 920,722 | 1.57 |
| 1936 | 1,474,729 | 72.0 | 889,608 | 1.66 | 1943 | 1,481,664 | 76.78 | 950,195 | 1.56 |
| 1937 | 1,611,611 | 75.0 | 928,914 | 1.73 | 1944 | 1,630,182 | 82.62 | 1,022,368 | 1.595 |

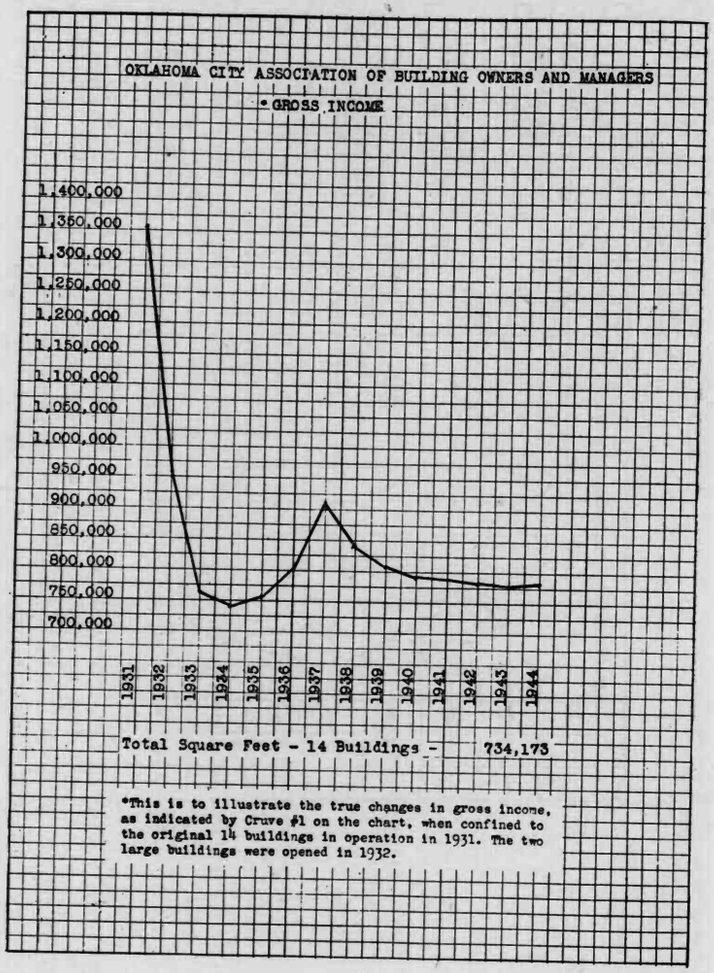
10-month experience in 1944 projected on annual basis:
1931, total square feet, 14 buildings ..... 734,173
1932–44, inclusive, total square feet, 16 buildings ..... 1,237,554

BUILDINGS PARTICIPATING

APCO Tower
Colcord Building
Cotton Exchange Building
Hales Building
Key Building
Mercantile Building
Osler Building
Petroleum Building
Braniff Building
Commerce Exchange Building
First National Building
Hightower Building
Medical Arts Building
Midwest Building
Perrine Building
Terminal Building








The CHAIRMAN. I thought we had better start with you at 2 o'clock.

Mr. WHISTON. All right.

The CHAIRMAN. We shall recess until 2 o'clock.

(Thereupon, at 12:50 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2 p. m., upon the expiration of the recess.

The CHAIRMAN. The committee will come to order.

Mr. Frank M. Whiston will be the first witness this afternoon.



## STATEMENT OF FRANK M. WHISTON, CHICAGO, ILL., PRESIDENT OF THE NATIONAL ASSOCIATION OF BUILDING OWNERS AND MANAGERS

Mr. WHISTON. Mr. Chairman, and gentlemen of the committee; I appear as president of the National Association of Building Owners and Managers, located at 134 South La Salle Street, Chicago 3, Ill., an organization that speaks with authority for the larger commercial properties of this country. As its name implies, this is a trade association representing the ownership and management of office buildings, loft buildings, and business accommodations of all types. Federated with our association are local association of building owners and managers in 50 of the larger cities, and individual members in many smaller cities.

In the office-building field, we represent some 2,500 buildings, with an aggregate of more than 220,000,000 feet of rentable area. The investment in office buildings is estimated at more than $6,000,000 000; the over-all investment is considerably more when other types of business property are included. This will indicate that what is conveniently referred to as the "skyscraper industry" is one of the major enterprises of the country. In the payment of real-estate taxes alone, it makes a substantial contribution to the national economy.

This is the second time that our association has apeared before your committee in opposition to a bill to control commercial rents.

Our position 2 years ago, when a similar proposal came before you for consideration, was that economic conditions were doing a better job of rent stabilization than any administrative agency, however competent, could be expected to perform.

Since that time there has been some improvement from the standpoint of occupancy, but little improvement in net return. There are still 12,993,030 square feet of office-building vacancy and rental rates are still on a subnormal basis. Our tenants are making money, but the impoverished condition of the industry, which we then pictured to you, has been only slightly relieved.

The record of these 2 years—and we are prepared to submit comprehensive and detailed information—clearly reveals that there was then, and that there is now, no justification for national rent control. That, in substance, was the conclusion of another committee of the United States Senate, which quite recently conducted an inquiry that extended to all parts of the country.

No unprejudiced examination of conditions in all localities could lead to any other conclusion.

We stated, on that earlier occasion, and I repeat with equal conviction, that we are in entire sympathy with the national stabilization program. Our industry, and every other industry is vitally concerned in preserving the soundness of our national economy.

But the regulation of commercial rents involves factors that are quite different from the operation of other controls. Furthermore, the national picture presents no evidence of rent inflation or threat of future inflation. It is because of these facts, all subject to demonstration, that we appear in opposition to the legislation before you. The information we are presenting is authentic and up to date. It reveals no justification or excuse for the imposition of new emergency controls at this late date. The facts will speak for themselves.

It should be said at the outset, before we get down to dollars and cents, that there are many things to consider in discussing office-building rents that may not be applicable to other types of business property. The operation of an office building is a business in itself, not nearly as simple as, let us say, the leasing of residential units.

A primary consideration—and this is an important distinction—is that office rents have only a remote relationship to the cost of living with which the Office of Price Administration is primarily concerned. Your own familiarity with office-building occupancy will serve to illustrate the point; and this was undoubtedly one of the reasons why the regulation of rentals of this type was not included in price-control legislation when first enacted.

Again the problems involved in this type of operation are much more complicated. The rent provided in office-building leases depends upon many factors other than the intrinsic value of the space. There are such matters as the term of lease, whether long or short; and the inclusion of cancelation clauses, options to renew, amortization of installation costs, options for more or less space, tax-participation clauses, condemnation clauses, or the right to sublet.

Then there are graduated leases and, on the lower floors, percentage leases; these, in turn, are subject to a great variety of conditions involving a partnership interest in the tenant's business operations. Nor should I neglect to mention the long-term ground lease, not infrequently involved, which may require a Philadelphia lawyer to interpret.

These complexities are to be reckoned with when you consider the advisability of applying administrative controls to commercial rents.

There is another consideration that we ask you to weigh carefully, and that is the impoverished condition of the office-building industry. Almost alone, among the major enterprises of the country, office buildings have only in part recovered from the acute distress of the early thirties. For 14 years these properties have subsidized American business by housing its operations at rentals that spelled receivership and ruin. The downtown maps of our larger cities are still honeycombed with evidence of the distress that overtook so many of these so-called monuments of civic progress.

Rental rates in these properties, and we are giving you the evidence, are still subnormal. What increases there have been are largely offset by mounting costs. The over-all improvement, and I am happy to say there has been some improvement, has come through higher occupancy. And even there we are faced with the serious problem of temporary Government usage for war purposes—with 30-day cancelation clause attached.

The Government at the present time occupies close to 37,000,000 square feet. It is not necessary for me to repeat that, while this is in the United States, that will represent a very large percent of footage which will be free with the termination of the war. That will be space which will be available, and all of that is subject to a cancelation clause of, I believe, 30 days. Upon that cancelation there would be close to 16 percent vacancy for the country.

The CHAIRMAN. This is office space?

Mr. WHISTON. This is office space. That is right.

Our association met with the representatives of the Army, Navy, and P. B. A. last week, to see what we might do to lessen the impact



which we feel may come when the question of the release of this space by the Government takes place. The question of the release of that space is going to be an acute one, probably, very shortly.

The question before you is whether commercial rents are getting out of hand. This is not a matter of opinion, but a question of fact. Because these facts are of vital concern to our industry, we have made it our business to obtain them—not for this particular occasion, but as a standard procedure that extends over many years.

Since 1920, that is to say, for 24 years, the National Association of Building Owners and Managers has compiled authentic information on all our industry operations. This is published annually in a handbook that is called the Office Building Experience Exchange Report, the latest issue of which covers operations for the calendar year 1943.

A copy of this report I am leaving with you as exhibit A, and the first table presents a comparison of expense and income averages for preceding years from which annual trends can be readily ascertained.

While the individual returns from which this analysis is prepared are not supplied by all the office buildings in the United States, or even by all the office buildings in our membership, the 1943 experience exchange was participated in by 451 representative office buildings in 77 cities, and summarizes operations which represent 61,246 357 square feet of rentable area, a large enough cross-section to produce dependable results.

I may say that this publication is recognized by our industry, by Government agencies and others, as not merely the best, but the only source of authentic information that is available on an industry basis. It has been subjected to the acid test of continuous reference and practical use. I have no reservations in submitting it to you as a true picture of conditions throughout the country.

However, this exhibit presents the evidence as of 1943. I am well aware that you are more concerned with conditions as of 1944. Anticipating that requirement, we have made a supplemental study covering the first 6 months of the present calendar year, thus continuing the record down to July 1, 1944. This supplemental report, which we have had to prepare in less elaborate style, I am leaving with you as exhibit B, of which we have made photostatic copies. Exhibit B, in conjunction with exhibit A, gives you a complete and current comparison on which we base our case.

Now let us see what the record shows. And I hasten to add that I can simplify the presentation by using a couple of charts that will give the essential items at a glance.

You are interested primarily in rents and rental income. We are equally interested in expense and costs; for it is the margin in between that determines the net, about which we are concerned most of all.

This diagram, exhibit C, gives you a 20-year picture. The upper curve is income, the lower curve, expense. The figures for expense, I should explain, are before capital charges. So the shaded portion in between is what is left to pay ground rent, interest, corporate and income taxes, and profit, if any.

The upper graph is the income; the lower graph is the expense.

The figures for expense, I should explain, are before capital charges.

Down here—the shaded portion down here—or rather in between, is what is left after taking into consideration the matter of rent, interest, corporate and income taxes, and profit, if any. You will notice

that anything along that line has been the result of increased occupancy, and that is about all. You will see that the expenses have risen as indicated here in the expense column.

As a matter of fact, the exhibit, exhibit A, shows 91.6 net left before capital charges.

Senator TAFT. Do these figures, taking them as a whole, relate to office buildings only, or just to certain of these figures, and, if so, what?

Mr. WHISTON. These cover stores.

Senator TAFT. These figures, then, on exhibit B and on this chart C relate to office buildings only?

Mr. WHISTON. That is correct.

Senator TAFT. They do not cover lofts?

Mr. WHISTON. They cover stores, including those included in the office buildings themselves. You will notice that in 1943 we have 4.02 return, and only 4.09 as shown down here.

As you will see, income suffered a precipitous decline from which it has barely begun to recover. At the start, 1924, it was $2.27 a square foot; at the finish, 1943, it was $1.66 a square foot. At the low point, 1934, it was $1.45 a square foot.

The CHAIRMAN. At this point I would like to ask a question, because I do not understand this. You have columns "City" and "Buildings reporting," and "Stores" and "Offices." Then you have "Office rental." What does "Stores" represent?

Mr. WHISTON. Stores in these properties.

Senator TAFT. Store rentals in office buildings?

Mr. WHISTON. That is right.

The CHAIRMAN. These show office buildings? This is all office buildings?

Mr. WHISTON. Yes. To repeat, at the low point, 1934, income was $1.45 a square foot. That gives you the three dimensions. Except for the last 2 years, as recorded, expense, on the rebound, was climbing faster than income; and the better ratio, evident since 1941, shows the influence of higher occupancy, more than higher rate.

The net for 1943 was 40 cents a square foot. That compares with an average investment that ranges from fifteen to twenty dollars a square foot, the cost of producing the office building.

If you are handy with the slide rule you will see that the return is between 2 and approximately 2½ percent, assuming that the property is owned in fee and is clear of mortgage indebtedness. If there is ground rent or interest to pay, you can see where the owner comes out.

If this were an isolated case, it would elicit sympathy. As a picture of an industry that ranks fifth or sixth in invested capital, it is almost unbelievable. Yet, those who have lived with such adverse conditions all these years have come to accept them as a matter of course. At least, they will occasion no surprise.

This second chart, exhibit D, shows another aspect of net return. This shows the relation of cost to income, or, as it is called, the operating ratio. The normal operating ratio is 60 percent which was the approximate range from 1924 to 1930. The operating ratio in 1943 was 76.9 percent, and that is exactly the operating ratio for the first 6 months of 1944, which I am taking from our supplemental report,



the rental improvement this current year being offset by accelerating costs.

Now let us look at this supplemental report and, because our time is limited, pay attention to just one figure—rental rate. You find this in the column headed "Rental income—office rented." And I should explain one further detail with reference to exhibit B. The first line under each city break-down is from the 1943 office-building experience exchange report, exhibit A. The second line is, in part, a repetition, being also for 1943, but confined to the same buildings which report for 1944. To insure unquestioned accuracy, we base the 1943-44 comparison on identical buildings, as indicated in the footnote at the close.

What has happened to rental rates in 1944, as compared with 1943? Are they showing signs of getting out of hand? Must we invoke the war powers of the Federal Government to keep them in line? Let us see.

Akron—a war industry center, where you might expect the worst: In 1943, $1.68 per square foot; in 1944, $1.75 per square foot. Atlanta, where occupancy is in the higher brackets: In 1943, $2.03 per square foot; in 1944, $2.03 per square foot. Baltimore, another center of great activity: In 1943, $1.71 per square foot; in 1944, $1.76 per square foot. Chicago, where there are still 2 million feet of space unoccupied: In 1943, $1 93 per square foot; in 1944, $1.95 per square foot; and so on down the line. You will have the complete table to examine at your convenience. And here, at the end, is the all-city average. In 1943, $1.77 per square foot; in 1944, $1.80 per square foot.

Instead of a 25 percent, or 50 percent, or 100 percent increase, which one might infer from some of the testimony, the gain is actually 1½ percent; and that 1½ percent, as I have already noted, is entirely absorbed by mounting costs.

I might add that the increase in total rental income reflecting higher occupancy was 6.47 percent; and the increase in operating expenses, 6.55 percent. There you have the complete picture.

This study also covers stores, those located in our office buildings. While we make no general store rental survey, and do not offer this as such, the competitive establishments on our ground floors supply a cross-section picture that should be indicative of the general trend.

Again, this exhibit presents a comparison by cities, which you can examine at a more convenient time. I will quote only the all-city figures which are at the end of the report. "1943, $2.33 per square foot; 1944, $2.48 per square foot."

These figures are influenced by the higher earnings under percentage leases—and the increase is still no greater than 6.31 percent.

While about it, I will add one more exhibit to your collection, just to give you all we have. The association has conducted semi-annual surveys of office building occupancy over a period of 20 years. Exhibit E gives you the current picture. It is entirely self-explanatory and, therefore, calls for no particular comment.

We are giving you, in these exhibits, a very considerable amount of information, and the facts submitted speak for themselves. But, in addition, there are in attendance in this room the personal representatives of associations of building owners and managers in Akron, Atlanta, Buffalo, Chicago, Cincinnati, Cleveland, Denver, Detroit, Duluth, Indianapolis, Minneapolis, New Orleans, New York, Oklahoma City, Philadelphia, Rochester, St. Paul, and Tulsa. These men

have come here to give you the local picture in their respective communities. Their testimony will supplement our national presentation; and others would have been here, in particular from the west coast, had they been able to obtain transportation.

This is a large country, and you are dealing with a large subject. We want you to consider its length and breadth. It would be a very serious matter and, in our judgment, a grave mistake to apply new emergency controls affecting 48 States to remedy conditions that are individual and local.

There are two other angles to which I invite your consideration, and these, happily, get away from wearisome statistics. One of these angles is the purpose to be accomplishd by such legislation as proposed in the bill now before you. There, undoubtedly, was a reason why commercial rents were not subjected to the freezing order in the first place. You will properly inquire whether it was a valid reason, and whether it is equally pertinent today.

The underlying motive of the Price Control Act was, and is, to retard inflation by preventing a rapid increase in the cost of living. Obviously, residential rents were frozen because they directly affect the cost of living. Obviously, too, commercial rents were not included because they do not directly affect the cost of living.

The cost of living is governed by the retail or unit price paid by the consumer. Certainly store rent is one of many items that go to make up the selling price.

But, in times such as these, when the volume of sales is greatly increased, in individual cases doubled or possibly trebled, the rent factor is proportionately less, except in the case of percentage leases, where the rent factor is more nearly constant.

A very substantial proportion of all store leases are on a percentage basis. Here the dollars paid in rent increase in proportion to volume of sales. But, most percentage leases carry a minimum guaranty and it follows inevitably that when the volume of sales exceeds that minimum, below which the rate may be much higher, the unit cost per dollar sold is actually less, though it calls for an "overage" payment, than with the smaller volume.

In the case of office rents, the relation to consumer cost, as already mentioned, is more remote. In the case of a manufacturing company, it would be hard to estimate what negligible part of the retail price to the consumer was represented by rent paid for executive offices. But, remote and small as it is, the same principle applies; as volume of business increases, the rental factor, whatever it is, tends to decrease. Under present conditions, with increased business activity in all lines that cater to the consuming public, the fraction of the selling price represented by office rent is less today than it was when the Price Control Act was enacted in 1942.

In the case of loft building rents, which have figured in much of the testimony that has been presented, it would be pertinent to inquire to what extent the tenant's business has increased, as this would have material bearing on the question at issue—to what extent, if at all, the payment of a higher rent contributes to the living cost of the consumer. I think it is a fair assumption, in the absence of evidence to the contrary, that the volume of business has also increased with consequent benefit to the consumer.



But the ultimate test is whether rent increase has been cited in any applications to O. P. A. for authority to raise price ceilings. On that point, we have the testimony of the general counsel of the Office of Price Administration who told the Senate Small Business Committee, and I quote—

> that so far as our Pricing Department is concerned, we have not had any appreciable number as yet of requests for price increases based upon rent increases, or threats of rent increase. There have been very few so far.

Considering the purpose to be accomplished by the Price Control Act, there is less justification for including rents of business accommodations at this time than when this legislation was enacted.

The other angle that is highly significant is the sequence of events to date:

First, this committee, just 2 years ago, rejected a proposal to confer blanket authority, such as is here contemplated, and there is less reason for such action now—with the experience of these 2 years behind us—than there was then when no one could tell what conditions the war might bring.

Second, this committee held extensive hearings, in March and April of this year, the testimony filling 1,600 printed pages, and not one witness even suggested the need for, or desirability of including commercial rents in the coverage of this act.

Do you suppose that would have been possible had there been the widespread dissatisfaction that we are now told prevails?

Third, the same thing happened in the House. That is to say, protracted hearings were held. Everyone had an opportunity to speak his mind, yet no one advocated commercial rent control. The subject was hardly mentioned.

Fourth, even after your committee, and the House committee, had wisely refrained from broadening the scope of O. P. A., there was still an opportunity for objection to be raised on the floor of either House. Had there been any concern about rent inflation, had there been all these complaints, one would have expected a volume of protest. There was, in fact, one amendment offered in the House—none in the Senate—and that single amendment went unsupported.

Fifth, the Senate Small Business Committee had a hearing on July 14 and listened to a variety of complaints. Most of these arose in one or two places; there was no evidence of a national emergency. The committee then enlisted the assistance of the Department of Commerce and the Smaller War Plants Corporation, in conducting inquiries around the country. Just last month, the committee reported that the problem was not of national scope and that Federal legislation was not justified at that time.

Sixth, at least one complaint related to the District of Columbia, and the Senate Small Business Committee referred this matter to the District Committee of the House. The District Rent Administrator, acting for that committee, publicly invited additional complaints without receiving a sufficient number to justify a further hearing.

Seventh, the general counsel of O. P. A., as we have noted, testified at the Small Business Committee hearing that few, if any, applications for adjusted price ceilings had been based on actual or threatened increases in rent. Representatives of O. P. A. testified at both the House and Senate hearings on extension of the Price Control Act

without making any suggestion or recommendation with respect to commercial rents. It is quite obvious that the Office of Price Administration saw no occasion for such action in July.

The entire record, down to this minute, shows an utter lack of evidence that would justify bringing the commercial buildings of the country under the Price Control Act. From start to finish, the implication is clear and unmistakable that such action, at this late date, would be entirely unwarranted.

The National Association of Building Owners and Managers appreciates this opportunity to present its case in opposition to S. 2167.

We have endeavored to give you all the facts as they apply to the national picture, and believe the evidence is conclusive, not to say overwhelming, that no national emergency exists to justify the enactment of this bill.

We ask that you also consider the local evidence to be submitted from different parts of the country by affiliated associations of building owners and managers, who are represented here, and by others unable to obtain transportation. If we can be of any further assistance, now or later, we shall be happy and ready to respond to your request at any time.

The CHAIRMAN. You have not said much about loft buildings in any way, have you?

Mr. WHISTON. In our experience, outside of New York City, and perhaps Newark, N. J., or one or two towns in the eastern territory, there are very few, if any, loft buildings around the country that are termed such.

I live in Chicago, Ill. Except for the Merchandise Mart, and a few buildings occupied by the dress industry, as it is called, we have practically no wholesale district though we call it the wholesale district.

We have a statement from that branch of our industry in Chicago, which the Chicago organization will present to you regarding the loft situation there.

Senator TAFT. I suppose it would be entirely possible in this bill to exclude office buildings. As you say, they affect inflation to an absolutely infinitesimal extent.

It would be possible to confine the operation of the law to space used for manufacturing or physical sales of goods, and it might be possible to make such a distinction, I suppose.

I see no reason to regulate office buildings at all. I do not see any case made for it, or any particular need shown for it, or any particular effect on inflation or national interest therein. However, I suppose that could be examined into.

Mr. WHISTON. Senator Taft, I have listened to a great deal of testimony relative to the landlords gouging, in the last few days. I have heard nothing of the testimony that indicates whether or not that is actual gouging, and I am not quite sure that I understand the use of the word here.

There has been testimony here to the fact that there have been advances of over 100 percent in the way of rent increases, and that might very well be, and properly so. There has been reference to that here. I have not heard any testimony to indicate that even though there was a 100 or 150 percent increase in the rent that the owners



of these properties were making a disproportionate amount of profit from that which his tenant is making.

Senator TAFT. Is there any figure and, if so, can you pick up any figure out of the air, as a fair rate for a per square foot rental of loft space?

Mr. WHISTON. I have this to say on that, I think a good deal depends—and permit me to say, parenthetically, so that I am not trying to evade your question—but it depends on the service you get, the location of the building, the type of building, the proximity to the workers, the proximity to the market, and a great many factors of that kind.

Senator TAFT. You have named some figures, and it is obvious, of course, that the values will depend upon the service, the location, the type of building, and so forth. However, is there any comparable figure that you know of that could be used as a gage for determining this thing?

Mr. WHISTON. I do not know, but I think the New York organization, which is here, will have those figures for you. They will present them to you.

Senator BUTLER. Such a figure as that, I know that figure will vary, it will have to vary, in fact, with the section and the locality. It probably impossible to put a price per square foot for loft buildings as a uniform proposition, or anything like that, because there are many factors which should be taken into consideration. Among those factors would be the proximity, the type of building, the type of service, availability to workers, availability to markets, and things of that character. Certainly, one of the very important things would be the service rendered with that loft building. In some cases you get one kind of service and in another case you get another kind of service.

Mr. WHISTON. If we were to freeze rents as of today, or as of next month, there might be a good many leases in many of these places that have never had an increase. Some of these tenants may have had an increase, on the other hand, quite recently. I do not believe it would be fair.

Senator BUTLER. That is what I tried to bring out this morning and also on yesterday. I do not know whether you have presented any evidence on that point that I raised yesterday as to what the average had been over the period from 1920–30, as compared with 1930–40. I think we should have that for the record.

Mr. WHISTON. I know that point was raised.

Senator TAFT. This has reference to office buildings. Do you have it for office buildings?

Mr. WHISTON. I can give that to you for office buildings, Senator Butler.

Senator BUTLER. Will you do so?

Senator TAFT. I think that would be very helpful.

Mr. WHISTON. $2.21 per square foot, office building, for 1920, 1930 the same building had a rental of $2.21, and for 1940, $1.66½, and in 1940, the first 3 years thereafter and 6 months, it has gone down to $1.556, and it is still going down. You can see that it remained comparatively stable for a time, and then started going down.

Senator BUTLER. That just covers office buildings, does it?

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Mr. WHISTON. Yes. And it would have a very strong influence on store buildings, because I do not think the store situation is acute in the outlying districts of the cities, because I know in Chicago, for instance, that I can show you block after block where there is no store located at all.

Senator BUTLER. I have a complaint from a chain store, which says that they have stores located in about 25 cities and the rents have been increased for 1944, and suggested increases for 1945 that range up to 40 percent, from 5 percent up to 40 percent. I am not in a position to say whether those are unreasonable advances or not. You do not have any of the facts with regard to that?

Mr. WHISTON. Not at this time. We will present it before the hearing is over.

The CHAIRMAN. Did you hear the testimony of Mr. Reuben Lurie, of New Bedford, Mass., this morning?

Mr. WHISTON. Yes, sir.

The CHAIRMAN. What do you think of those increases? Those are all on small stores.

Mr. WHISTON. Senator, it is difficult to answer you, as I said before, unless we have their statement and a financial statement of their property which would indicate to you, in cents per square foot, how much they were paying, and the increase that is proposed. If I had that, I could answer your question. I am unable to answer it without that information.

The CHAIRMAN. Those are small stores there.

Mr. WHISTON. You know, throughout this country there have been more tax delinquencies running into hundreds of millions of dollars because landlords were unable to pay their taxes, and they had to allow them to become delinquent.

I do not know if they have gone up to the point where they can start paying them or not.

We have a chart that will show you that during the past 20 years there has been a steady increase in the way of expenditures in connection with the operation of buildings. I think if you can give me the entire picture, I can give you a more sensible reply to it than I can now. It is difficult to do so the way it is now set up.

The CHAIRMAN. Do you mean, Mr. Whiston, the material that you have presented?

Mr. WHISTON. Yes, Senator Wagner.

The CHAIRMAN. There is nothing there to dissuade me. There is enough there for me to be persuaded.

Mr. WHISTON. Not in dollars and cents.

The CHAIRMAN. A man paid $35 a month and then it went up to $100 per month. That is an abnormal increase.

Mr. WHISTON. That is not an abnormal increase if the owner of that property had been subsidizing it to the extent of $50. Until we have that information I do not think it is fair to just take one part of the picture, and I think the rate per square foot is very important in a consideration of that kind.

Senator HAWKES. Mr. Chairman, I would like to ask a question.

The CHAIRMAN. Proceed, Senator.

Senator HAWKES. Mr. Chairman, that is the point that I was trying to bring out. That is why I asked what the rental of this property had been over the past 10 or 20 years.



Of course, I know of buildings where the owners would be obliged to try to keep somebody in the building, and they would go out and try to get tenants, and would be willing to take 10 cents on the dollar in order to have somebody in there.

The point that I wish to find out here, the information I want to get, is whether or not these increases have been or have not been justified. I wish to find out whether they are making a proper profit and a proper return on their investments which might justify them in raising the rent 500 percent. I can visualize such a situation, if it had been unduly depressed before.

What I want to find out is whether there is being an injustice created and gouging being done on these people by the owners of the buildings.

Mr. WHISTON. That is what we want to submit here. Nothing has been introduced so far to show that anything of that kind has been going on. I think that we have had the record singularly clear of anything of that character. It has just been a statement followed by another statement of figures without any of these attendant circumstances.

The CHAIRMAN. Very well. This gentleman is going to give us all of the information.

However, you will recall that the owner of the building and the tenant some short time ago complained about a slight increase. So, the owner, I think it was the bank, said, "Why do you not take the property," and then proceeded to increase him abnormally thereafter. I think the committee will recall that.

Mr. WHISTON. I suppose you will find that some abnormalities do exist, just like they exist in every business or industry.

We have millions of pieces of property, and when a little $35 or $40 rental gets out of line here and there, I do not think it is significant as to the entire industry.

The CHAIRMAN. That is quite true. It is the question of whether it is a trend or an isolated case. Do you have anything further?

Mr. WHISTON. Yes; I have a communication from Mr. Fred Shaefer which I should like to present to the committee. It is just a point that he wants to present.

Mr. Fred Shaefer, of Atlanta, Ga., who has for the past 30 years been executive secretary of the Atlanta Association of Building Owners and Managers, has advised that he is familiar with office-building rental rates in Atlanta, Ga., and further states that within the past 30 days he has made a survey to determine the difference in rental rates in Atlanta office buildings now as compared with the year 1940.

The committee will be interested to know that according to the information received from this survey the rental rate has increased an average of 12 cents per square foot, which is an increase of approximately 7 percent.

He also informs us that he is familiar with the operating cost of office buildings in Atlanta, and according to the information on file in the association office there, the operating cost has been increased 11 cents per square foot, which is an increase of approximately 10 percent.

I also have information from Mr. Tommie Jackson, executive secretary of the Atlanta Real Estate Board, as of this just past month, giving the results of a survey made of realtor offices renting commercial properties.

That shows that all commercial lease men contacted report that the main increase in commercial rents is due to the fact that a large majority of merchants pay rent on a percentage basis, and since retail sales have increased so much so that the actual amount of rents paid have increased. The minimum guaranteed rent has not been increased.

One realtor reports that none of his rents have been increased. Five realtors report an increase of from 10 to 15 percent, whereas two realtors report an increase of about 8 percent, and also one realtor reports an increase of only 7½ percent, and four realtors in Atlanta, Ga., report an increase of less than 5 percent.

I would like to read the following telegram from the Portland Association of Building Owners and Managers, from its president, Elliott R. Corbett:

This association represents 26 class A office buildings in Portland, Oreg. Their reports to this association show the average rate per square foot charged by them as follows: 1926, $2; 1938, $1.97; 1938, $1.89; 1932, $1.67; 1934, $1.40; 1936, $1.44; 1938, $1.49; 1940, $1.49; 1942, $1.61; 1944, $1.71. Occupancy in 1944 is 6 percent greater than in 1926 but the average rates are 14 percent below that year. Since Pearl Harbor the average rates have increased only 6.2 percent. We are confident this record and the absence of complaints to the members of this association prove that we have voluntarily handled the commercial rent question in this community satisfactorily and there is absolutely no need for Federal control.

I would also like to read this telegram of November 29th from Lincoln T. Prescott, chairman, Building Owners and Managers Association of Boston:

You are authorized to present the following statement for the Building Owners and Managers Association of Boston at the Senate Banking and Currency Committee hearing on commercial rent control "our survey of commercial and industrial properties in Boston area made this week indicates over-all rent increases made during last two years have affected less than 1 percent of the aggregate tenancies in this area. Evidence clearly indicates increases confined to properties formerly rented on substandard basis. Going rental rates in effect since prior to war are being held in line. Current building vacancy of 12 percent obviously makes any substantial or unwarranted rent increases impossible in Boston. We are unalterably opposed to the imposition of rent control over Boston properties because no evidence exists here to warrant any such acts. We wish to go on record before the Senate Banking and Currency Committee in opposition to commercial rent control.

I also have a telegram here from H. A. Irving, secretary of the Jacksonville Association Building Owners and Managers of November 29 reading:

Jacksonville, Fla., with 100 percent occupancy in class A, B, and C office buildings has increased rents 9¾ percent since 1941. Rents are not more than 15 percent above 1937 average when buildings were 83 percent occupied. We do not feel that placing of commercial rents under the price control Act can in any way be justified.

I should also like to read this statement, it is a short one, of November 28, 1944, from Mark C. Cohn, executive secretary and general manager of the Building Owners and Managers Association of Los Angeles; reflecting the views of the major office and loft buildings in the Los Angeles area, with first-hand knowledge of the subject hereof.

This association is unalterably opposed to the form, substance and intent of S. 2176 and earnestly emphasizes that factual studies recently made by Federal Government agencies show that legislative control of rentals of commercial, industrial, and business occupancies is neither necessary nor justified.

This association further points out that Federal Government Agencies have indicated that complaints of rent increases on commercial and business occupancies are largely localized in New York City, and therefore, the subject of S. 2176 is not one for Federal action but for State regulation.



This association also directs attention to the impracticability of applying Office of Price Administration regulatory powers to commercial and business real property surrounded with conditions which differ no end from conditions that attend residential properties.

Explanatory of the foregoing:

The Senate Small Business Committee is reported to have recently determined, on the basis of factual studies made by the United States Department of Commerce and by the Smaller War Plants Corporation, that the "problem posed by excessive increase in commercial rentals is not national in scope at this time and Federal regulation from the Office of Price Administration or otherwise would not now be justified."

The Senate Small Business Committee also reportedly pointed out that a "pressing need exists in the City of New York for prompt remedial action" which suggests not Federal action but as a municipal and State affair to be dealt with as a local regulation.

Should the Congress of the United States adduce facts that make it necessary and justifiable to extend Federal control to real property privately owned and leased to war industries and businesses, that control would of necessity have to be entirely different from the current approach of the Office of Price Administration regulations to residential properties.

There are innumerable and varying situations that attend different classes of leases and contractual relations on business properties, leaseholds, and groundleases. Legislation in this respect should be incorporated in a separate bill, with definite and precise provisions and requirements and with workable formulas clearly set out in the act. Many different conditions would have to be provided for in such a bill in order that all concerned might understand the requirements, and enforcement thereof be made feasible.

In the event that your honorable committee develops justifiable reasons for considering a workable measure of the type hereinabove discussed, this association will be glad to cooperate fully and assist in the outlining of a tentative draft of such a measure.

In the Los Angeles area, for example, no occasion exists for control of rents of commercial and business occupancies. Investigations made here by Governmental agencies and results thereof confirm this view.

Studies submitted from Experience Exchange Survey conducted under the auspices of the National Association of Building Owners and Managers and covering some 451 properties in 77 cities, an annual survey that has been made each of the past 24 years, confirms facts here submitted.

This association in a survey made last month, and on the basis of written reports submitted by manager of 150 office and loft buildings, further confirmed contention offered, that no need exists in the Los Angeles area for control of rentals of commercial and business occupancies. Rentals in 93 buildings were reported unchanged; 3 buildings reported decrease in rentals; and 45 buildings had adjusted rentals on the few new tenants.

This association observes trends of every nature in the major office and loft buildings in the Los Angeles area. On the basis of information at hand complaints from tenants have been practically nil and in almost all cases where adjustment of rentals were made commensurate with increased costs of operation, tenants have cooperated cheerfully and in many instances expressed wonderment that such adjustments had not been made long ago. Rentals in the Los Angeles area have been subnormal for more than 12 years. Current rentals are from 30 to 50 percent below the rate of 12 years ago and below the rentals for which the buildings were designed in order to produce the customary return on capital invested.

I would also like to read a communication from C. H. Hewitt, president of the Cincinnati Building Owners and Managers Association, Inc., of December 1, 1944, in which Mr. Hewitt says:

The writer represents the membership of the Cincinnati Building Owners & Managers Association, Inc. They believe commercial rental control in Cincinnati is not needed in any form. As evidence showing the rental conditions of commercial properties in Cincinnati, we submit the following data:

Thirty-two office buildings having a total of 2,609,000 square feet of rental area report 246,450 square feet of vacancy or 9½ percent.

Thirty-one buildings with ground floor stores, a total of 430,400 square feet report 6,500 square feet of vacancy or 1½ percent.

Twelve loft buildings having a total of 1,164,000 square feet of rental area, report 44,000 vacant or 3½ percent.

Of the 32 office buildings reporting, only 5 reported rental increases and none of them over 10 percent. Also, in most cases the increases were not general throughout the building, but only on certain expiring leases were the square-feet rents below the average in the building.

Of the 12 loft buildings reporting, only 1 building reported an increase of rent and that only to 1 tenant.

The above data has just been compiled by the Cincinnati Building Owners & Managers Association, Inc., and represents the rental conditions in Cincinnati commercial property as of October 1, 1944.

I understand that Mr. Cohn may have sent a copy of this to the clerk of the committee, but I am not sure, as to his statement.

May I ask that the New York delegation follow me, and they may present their case, after all, better than I.

(Whiston exhibits A, B, C, D, and E are filed with the committee.)

The CHAIRMAN. Mr. Halperin, I believe you wanted to call just one more witness today.

Mr. HALPERIN. I would like to present Mr. David Urdang.

## STATEMENT OF DAVID D. URDANG, OFFICE MANAGER, POPULAR PRICED DRESS MANUFACTURERS GROUP, INC., NEW YORK, N. Y.

Mr. URDANG. Mr. Chairman and members of the committee:

My name is David D. Urdang. I am office manager, Popular Priced Dress Manufacturers Group, Inc., New York, N. Y.

This association comprises a membership of about 265 jobbers and manufacturers of popular priced dresses, wholesaling from $2.87 to $5.75 each, doing an annual volume of approximately $250,000,000. This type dress is exclusively for the use of the so-called "masses."

Our members are located in the area bounded by Thirty-fifth Street to Fortieth Street and from Sixth to Eighth Avenues, New York City, with a number of them occupying additional factory and shipping facilities in outlying districts of Greater New York and, in some cases, in the States of New Jersey, Pennsylvania, Connecticut, Massachusetts, and Rhode Island.

I echo the general sentiments voiced by the previous witnesses, Messrs. Halperin, Marmelstein, Agree, Zuckerman, and Schwab, as far as encouraging the adoption of Senator Wagner's bill, S. 2176.

My remarks are confined exclusively to the rent-gouging situation that I know exists in the New York area, and which condition I understand likewise exists in other parts of the United States.

Almost every lease of our members expires February 1, 1945, and in almost every instance demands for increases from 20 percent to 150 percent over 1943 rents have been made, and terms heretofore 1 year in most cases are being increased to from 3 to 5 years. In a number of cases, in addition to increases, landlords have inserted clauses compelling tenants to do their own painting of the premises occupied by them, and to pay to the agent in charge of the building brokerage commissions of 1½ percent.

In other cases previous concessions of 1 or more months on yearly leases are now discontinued. Heretofore, most leases were signed on an annual basis. This is now out—leases are signed, at the demand of the landlords, for a minimum of 3 up to 5 years, and in many such instances even though the current lease expires February 1, 1945, tenant



was compelled to sign renewal of lease at increased rents, such increase to go into effect immediately at the signing of the lease, as much as 6 months prior to the expiration of pending lease, irrespective of the fact that present lease had as much as 6 months more to go at the lesser rent.

In a number of instances, specifically, one at 254 West Thirty-fifth Street, three at 1359 Broadway, one at 123 West Thirty-seventh Street, and one at 148 West Thirty-seventh Street, landlords, without notice, advised tenants that their spaces have been rented to others without giving such tenants an opportunity to meet reasonable increases landlords might ask. Because of total lack of space in this area, such tenants are compelled to close their businesses, thus throwing hundreds of workers out of employment.

Attached hereto is a schedule of 72 reporting members, showing their experience with their landlords since they moved into their respective lofts. A comparison of rent increases in 65 of these who were tenants in their present buildings in 1944 as against 1945 demands show an over-all advance for these tenants in 1945 over 1944 of approximately 61 percent. This huge increase is in addition to substantial increases paid in 1944 in most instances.

You will please note comments alongside some of the tenants on the attached list which are self-explanatory.

Should the committee desire the names of these tenants they will be submitted upon request.

I would like to submit as an exhibit a tabulation which I have here which I believe will be helpful in arriving at a decision in this matter. I think that sometimes these speak louder than mere words.

The CHAIRMAN. You may hand it in.

(The tabulation referred to follows:)

| Building | Tenant | Key [1] | 1943 | 1944 | 1945 | Remarks |
|---|---|---|---|---|---|---|
| 462 7th St. | 1 | C $7,500 | $7,500 | $9,000 | $11,000 | |
| | 2 | D 3,960 | 3,960 | 4,750 | 5,500 | |
| | 3 | D 11,250 | 11,250 | 13,250 | 16,250 | |
| | 4 | D 7,500 | 8,000 | 8,500 | 9,500 | 2-year lease—signed 1943. |
| 463 7th St. | 5 | | 3,024 | 3,324 | 4,200 | |
| | 6 | | 6,041 | 6,041 | 7,791 | |
| | 7 | D 8,500 | 8,500 | 9,000 | 11,000 | |
| | 9 | | | 9,072 | 11,000 | |
| | 9 | D 5,500 | 5,500 | 6,600 | 8,000 | No painting. |
| | 10 | D 6,045 | 6,545 | 7,545 | 9,045 | |
| | 11 | A 4,500 | 6,000 | 7,500 | 9,000 | Plus brokerage fee of $407. |
| | 12 | C 4,000 | 4,400 | 5,436 | 6,286 | |
| | 13 | | 4,041 | 4,641 | 5,791 | Plus brokerage fee of $260. |
| | 14 | | 8,577 | 8,827 | 10,827 | |
| | 15 | D 5,586 | 5,536 | 6,636 | 7,536 | Plus brokerage fee of $339, and painting. |
| | 16 | | 5,541 | 6,641 | 8,041 | |
| | 17 | | 6,036 | 7,236 | 9,236 | |
| 498 7th St. | 18 | C 9,000 | 9,000 | 10,500 | 10,500 | 3-year lease signed February 1944. |
| 501 7th St. | 19 | D 1,800 | 2,600 | 2,800 | | No demand to date. |
| | 20 | A 8,000 | 8,500 | 9,000 | 10,800 | 3-year lease signed. |
| | 21 | B 6,250 | 6,250 | 6,750 | 8,250 | Do. |
| | 22 | BB 6,250 | 6,750 | 6,750 | 8,400 | Do. |
| | 23 | A 11,000 | 11,500 | 11,750 | 14,100 | Do. |
| | 23a | | 1,800 | 1,800 | 2,100 | Do. |
| | 24 | AA 11,000 | 10,000 | 11,500 | 13,800 | Do. |
| | 25 | A 6,500 | 7,500 | 8,500 | 10,625 | Do. |
| | 26 | BB 4,800 | 5,000 | 5,000 | 6,000 | Do. |
| | 27 | A 4,500 | 4,600 | 5,000 | 6,000 | Do. |
| | 28 | A | 5,000 | 5,000 | 6,000 | Do. |
| 1359 Broadway | 29 | C 4,250 | 4,750 | 4,750 | 6,000 | Do. |
| | 30 | AA 4,000 | 5,500 | 5,500 | 8,000 | Demanded, but ousted tenant. |
| | 31 | BB 3,600 | 4,250 | 4,750 | None | Tenant ousted. |

[1] AA—1936, BB—1937, CC—1938, A—1939, B—1940, C—1941, D—1942.

| Building | Tenant | Key [1] | 1943 | 1944 | 1945 | Remarks |
|---|---|---|---|---|---|---|
| 1359 Broadway | 32 | C $5,000 | $5,500 | $6,500 | None | Forced to take smaller space at higher rent. |
| | 33 | CC 5,000 | 5,750 | 6,750 | None | Tenant ousted. |
| | 34 | C 7,500 | 10,500 | 12,500 | $16,500 | |
| 1385 Broadway | 35 | | 5,000 | 5,000 | 6,330 | Forced to sign 5-year lease. |
| | 36 | D 8,036 | 10,810 | 10,810 | 12,960 | Do. |
| 134 West 37th | 37 | C 4,000 | 6,850 | 7,800 | 10,000 | |
| | 38 | C | 4,100 | 4,500 | 5,400 | |
| | 39 | A 6,500 | 7,500 | 7,500 | 10,000 | |
| | 40 | B 4,000 | 4,000 | 4,300 | | No demand. Tenant being ousted. |
| 148 West 37th | 41 | C 2,900 | 3,000 | 3,800 | | Do. |
| 218 West 37th | 42 | AA 1,800 | 2,580 | 2,900 | 3,900 | |
| | 43 | A 1,800 | 2,000 | 2,000 | 3,000 | |
| 102 West 38th | 44 | C 900 | 1,000 | 1,300 | 1,800 | |
| 212 West 35th | 45 | C 3,000 | 4,500 | 5,000 | | No demand to date. |
| 213 West 35th St | 46 | A 3,500 | 5,400 | 6,000 | 6,900 | |
| | 47 | C 4,750 | 5,300 | 5,900 | 5,900 | Present lease signed 1944; expires 1946. |
| | 48 | A 4,700 | 5,100 | 5,600 | 6,500 | |
| | 49 | A 3,800 | 4,750 | 4,750 | 5,250 | |
| | 50 | A | 6,000 | 6,000 | 8,000 | |
| 225 West 35th St | 51 | | | 4,500 | 5,500 | |
| | 52 | B 4,500 | 4,500 | 5,000 | 6,000 | 2-year lease. |
| | 53 | BB 4,000 | 5,500 | 6,000 | 7,500 | Do. |
| | 54 | C 3,300 | 4,000 | 4,500 | 5,500 | |
| | 55 | A 6,000 | 6,400 | 7,000 | 7,000 | 2-year lease signed 1944. |
| 119 West 24th St | 56 | A 1,500 | 4,500 | 6,000 | 6,500 | |
| 237 West 35th St | 57 | CC | 3,950 | 4,600 | 6,000 | Do. |
| | 58 | C 5,250 | 5,250 | 6,500 | 6,500 | Do. |
| | 59 | A 3,000 | 3,300 | 3,450 | 5,000 | 3-year lease asked. |
| | 60 | A 3,600 | 4,500 | 5,000 | 7,000 | Do. |
| | 61 | C 3,000 | 4,500 | 5,000 | 7,000 | 2-year lease signed. |
| 240 West 35th St | 62 | C 4,500 | 4,800 | 5,500 | 6,250 | Lease signed. |
| | 63 | A 3,600 | 3,400 | 3,850 | 4,250 | 2-year lease signed. |
| | 64 | CC | 3,700 | 4,100 | 4,600 | Do. |
| | 65 | BB 4,000 | 4,500 | 5,000 | 5,250 | |
| 254 West 35th St | 66 | CC 4,500 | 4,900 | 5,500 | 7,500 | 3-year lease signed. |
| | 67 | C 2,700 | 2,700 | 3,200 | 3,800 | 2-year lease signed. |
| 261 West 35th St | 68 | A 780 | 1,440 | 1,800 | 1,800 | 2-year lease signed 1944. |
| 36 West 25th St | 69 | 1930 | 4,700 | 6,500 | 7,400 | |
| 65 West 36th St | 70 | C 3,300 | 3,300 | 3,400 | 4,800 | 3-year lease asked. |
| 229 West 36th St | 71 | | 5,560 | 7,560 | 10,500 | Plus brokerage commission. |
| 118 West 29th St | 72 | [2] | 2,300 | 2,300 | 3,300 | 2-year lease signed. |

[2] 15 years.

Mr. CLARKE G. DAILEY. Mr. Chairman, I would like to appear at this time.

The CHAIRMAN. You represent Mr. Cruikshank?

Mr. DAILEY. Yes.

## STATEMENT OF CLARKE G. DAILEY, FORMER PRESIDENT OF REAL ESTATE BOARD AND PRESENT GOVERNOR AND CHAIRMAN OF COMMERCIAL RENT-CONTROL COMMITTEE, NEW YORK, N. Y.

Mr. DAILEY. Mr. Chairman, and members of the committee, my name is Clarke G. Dailey. I am former president of the Real Estate Board. At the present time I am a governor and the chairman of our committee on commercial rent control, which is the capacity in which I am appearing here.

In order to save time of the committee, I know that we all wish to do that, I am going to call on two men whom I brought along with me, to speak first, because each is an expert; one in the matter of loft buildings, and one in the matter of office buildings and stores. And then, after they have spoken I am hopeful that there will be nothing left for me to say—if there should be, I could do so then. I will have a few comments to make at the close of their statements, but I believe if I would say anything now it would be repetitious.

Therefore, at this time, I will call, with the permission of the chairman, Mr. Melvin Brown.



## STATEMENT OF MELVIN BROWN ON BEHALF OF THE REAL ESTATE BOARD OF NEW YORK, INC., AND THE MIDTOWN REALTY OWNERS ASSOCIATION, INC.

Mr. BROWN. Senator Wagner, and members of the committee, I am a member of the commercial rent committee of the Real Estate Board of New York, Inc., and executive vice president of the Midtown Realty Owners Association.

My name is Melvin Brown.

I am here as a representative of the Real Estate Board of New York, whose members are owners, operators, and agents of real property on the island of Manhattan, and also representing the Midtown Realty Owners Association, Inc., whose members are in the same categories, but catering to the so-called needle trades and similar lines, located in mid-Manhattan. I am here to specifically talk on behalf of all the loft buildings on the island of Manhattan.

We are opposed to bill, S. 2176, for the following reasons:

First. The bill seeks to extend O. P. A. regulation to commercial buildings and, from our information, the only area in which there are complaints about increases in rents is the island of Manhattan, State of New York, with perhaps a negligible number of complaints from the cities and towns in the balance of the entire United States.

Second. The Small Business Committee of the United States Senate held a hearing on this subject of commercial rent control in Washington on July 14, 1944, and, under date of October 1944, issued its report stating:

> In view of the evidence contained in this record in the form of complaints and other communications, testimony at its hearing on this subject, consultation with interested individuals and groups, and the reports of two executive agencies of the Federal Government, your committee concludes that the small business problem posed by excessive increases in commercial rentals is not national in scope at this time and that Federal regulation through the Office of Price Administration or otherwise would not now be justified.

We call to the attention of your committee that at the hearing on July 14, 1944, Mr. Richard H. Field, general counsel of the Office of Price Administration, said that complaints reaching the O. P. A. were predominantly from New York City where the problem appears, by comparison, "to be by far the most acute," and mentioned that "in only a few isolated cases" have requests for price ceiling adjustments been based on rent increases.

Third. With respect to the New York situation, bills were introduced into the State legislature at its last session in the early part of this year, were thoroughly debated, both sides were given full opportunities to present their views at hearings of one of the bills introduced and, while that particular hearing was in session, another bill of the same nature was reported out of committee without hearings having been held. This latter bill came to the floor of the assembly for vote and failed to pass. In the last hours of the closing session of the legislature Assemblyman D. Mallory Stephens introduced a resolution, which was passed, creating a committee for a study of the entire situation and requiring a report to the legislature at its next session. The Stephens committee has held many hearings, both private and public, and we are informed, expects to have its report completed toward the latter part of December.

Regardless of the recommendations that may come out of the Stephens committee, you may be certain, gentlemen, that when the New York State Legislature convenes shortly after the 1st of January, someone will introduce rent control legislation.

The published statistics of the Real Estate Board of New York show that in 9 years nearly 9,000 properties were foreclosed in Manhattan alone, to a total of $1,088,095,530. What brought about that tremendous loss of ownership High taxes, high operating costs, yes; but, over and above all that, and especially in the cost of loft buildings, it was the ruinously low scale of rents, and that due to the demands and threats of the same tenants who today, although admittedly making large profits, regardless of O. P. A. regulation in their own businesses, are running to the State and Federal authorities with complaints when, for the first time, there is a sign of recovery of rents to something like fair and economic levels.

Those who did not lose their properties have clung to ownership in the hope that changed conditions would eventually restore their equities—in many cases being enabled to do so through ability to divert income from other sources to the payment of operating costs and taxes and also, in many cases, only because of the mortgage moratorium law which has been in effect in New York State.

There was also the distress of many thousands of small investors who, in the aggregate, invested millions of dollars in bond issues which had to be reorganized because of the collapse of rent schedules.

In depression years, when tenants were making the plea of poor business and lack of ability to pay economic rents, they did not come here, nor did the owners, to seek your aid in putting any floor under rents nor any ceiling on taxes and operating costs. Instead, tenants were threatening to move out of New York City, and did so in large numbers, mind you gentlemen, when rents were at their lowest point until there was created such a large percentage of vacancies that owners were forced to write leases at rentals far below economic levels in a desperate effort to keep their remaining tenants.

We are not here to throw mud at our tenants. We hope and expect to have them continue as tenants for years to come, but cooperation must have two sides.

Now, when there is at long last an opportunity for property owners to get economic rents which tenants are in a position to pay because, gentlemen, rents are but a negligible percentage of operating costs, we would like to see some of the same spirit they sought when they went to the owners for, and secured rent reductions.

There is no reason why owners and tenants cannot get together on an amicable basis, without arbitrary Federal interference with economic laws. In our type of properties complaints were made to the mayor of New York City last year at the first sign of rent increases. He had no power or authority to interfere but, with the willing cooperation of real estate men and lending institutions, he named a mediation committee, and this committee, using only moral suasion, got together many owners and tenants to adjust rents on a fair basis. They handled hundreds of cases and their work brought public commendation. There is no reason why the scope of that committee's work cannot be extended, in the expectation that it can operate just as satisfactorily as before.



It has been said that there were some who raised rents inordinately and some who refused outside mediation. Well, they can be controlled by the pressure of public opinion and mediation by disinterested parties. Is it reasonable to set up regulation of rents to affect every commercial property, merely to control a few chislers?

Before making any argument on behalf of owners and agents in loft buildings, I wish to tell this committee about a schedule showing the results of an inquiry conducted by my office.

On September 20, 1944, a New York paper published a list of approximately 170 complaints compiled by the mayor's committee. Of these 170 complaints, 41 concerned 25 buildings operated by members of the Midtown Realty Owners Association.

Each of the owners and agents of these buildings was queried by me as to the facts in each reported instance. I am pleased to advise this committee that I received 100-percent response, in writing, and a comparison of the claims made by the mayor's committee with the actual situation reported to the Midtown Association, with owners' and agents' comments showed in case after case that figures were erroneously reported.

And I submit that the same thing would be true here, and was true in the testimony that was offered here yesterday.

We are reliably informed——

The CHAIRMAN (interposing). If I may interrupt? I thought it was stated by the commissioner of the rental committee, that there were about one hundred-and-some-odd owners that refused to go to any hearing to present their case and to answer questions.

Mr. BROWN. I think that you are confused as to what I have said, Senator. These were complaints that were made after the mayor's committee had ceased to function. I think that is what you have referrence to.

The CHAIRMAN. Yes.

Mr. BROWN. These are the results of my own personal investigation of 41 of these complaints. All complaints of the balance of 170 have been investigated by the Real Estate Board of New York, and the answers submitted to the Stephens committee. May I proceed?

The CHAIRMAN. Proceed.

Mr. BROWN. We are reliably informed that there are approximately 122,000 commercial tenants in New York City. It would seem that the number of complaints about rent increases, which have been variously stated as being from 250 to 3,000 or 4,000, is such a negligible percentage of the total number of renewals involved that it certainly should not, in all reason and fairness, be pictured as in any way indicating the general situation.

However, the Real Estate Board of New York and the Midtown Reatly Owners Association investigated each and every complaint specified in the list published by the mayor's committee—the first such list made available.

The Real Estate Board of New York has secured pertinent information on the balance and has submitted a report of factual data to the Stephens committee.

I think your committee should know that the Real Estate Board of New York offered its help to the mayor's committee and agreed to mediate complaints, its offer carrying only the proviso that complaints be based upon instances where rental increases worked a finan-

cial hardship on tenants, because the board did not wish to take any position between owners and agents on the one hand and the tenants on the other hand to decide how the profits of either should be affected by the rental.

Senator HAWKES. Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly.

Senator HAWKES. Mr. Brown, if I may stop you at that point for just a moment.

Mr. BROWN. Yes, Senator Hawkes.

Senator HAWKES. I want to go back to your statement that you made about the 170 cases that you investigated personally and the people that appeared and submitted their statements in writing.

Mr. BROWN. I investigated 41 of the 170 complaints that the mayor's committee published.

Senator HAWKES. And I believe you said of those cases all the claims that had been made were proven to be erroneous?

Mr. BROWN. Correct. Not all were erroneous, but most.

Senator HAWKES. Could you enlighten us a little bit more as to that?

Mr. BROWN. The best way I could enlighten you upon that, or enlarge upon the subject, other than to talk about it, is to send to you, and I shall be glad to do it, an exhibit which I compiled and filed with the Stephens committee, showing, in tabulated form, the claims of the mayor's committee and the actual situation.

I might tell you now, briefly, that when the mayor's committee claimed that certain rentals were asked, the facts showed that much lesser rentals were asked for, and the leases were closed at much lower rent.

Senator HAWKES. I think it would be very desirable to have you send that to us.

Mr. BROWN. I will be very happy to do so.

As I said before, we offered the mayor's committee the facilities of the board to mediate these complaints. And, as I pointed out, the only string that we attached to that was that the cases that were to be referred to us were those which involved financial hardship on the tenant, because we did not want to decide how much profit the landlord or the tenant should make.

To my knowledge the result of this offer to the mayor's committee resulted in exactly 4 complaints being referred to the real-estate board's committee headed by Clarke G. Dailey. At a meeting in the Hotel Martinque on September 14, where Joseph Platzker, secretary of the mayor's committee, was present at his own request, he was asked, in view of the fact that his statements in the press claimed 1,000 complaints, why only 4 of them had been referred to the real estate board's committee. He replied that the reason was that the real estate board's offer to mediate was limited to complaints involving financial hardship on the tenant. Mind you, gentlemen, only 4 out of 1,000 complaints were because of financial hardship.

Now, leaving aside for the moment the question of the unsound principle embodied in the idea of such control, consider the following facts. Tenants have been quoted in the New York newspapers as admitting that they are making plenty of money, and therefore their complaints are not based upon any economic hardship, nor is there any emergency created. The widely publicized percentage of



increases do not of themselves mean anything. An increase of 15 percent may be too much in some isolated instances. Increases of 25 percent, 50 percent, or even 100 percent may not be enough to effect justice in others. Just as city tax departments examine each piece of real property before assessing it, each rent complaint must be investigated to learn the circumstances and background so that proper adjustment may be made.

During the last year lending institutions have been seeking to divest themselves of foreclosed properties, to get them off their books and into the hands of private investors. It obviously is not the function of these lending institutions to own and operate properties.

But what of the investors? How long will properties remain out of the hands of institutions if they cannot be rented at economic levels so as to earn a return on the new capital invested? Must the new owners in turn lose their properties? And, if that be the fiat of State or Federal authorities, what hope shall there be of further liquidation of properties previously foreclosed so that lending institutions may have liquid funds with which to meet the demands we hope will be made upon them after the war, so that private enterprise may be encouraged to go forward?

In conclusion we wish to reiterate that the extension of O. P. A. powers of rent control to commercial buildings is not warranted because of complaints that are localized in one part of one State; that that State, the State of New York, is giving thorough and conscientious attention to the matter, and that these views have been concurred in by the Small Business Committee of the United States Senate and by representatives of the Office of Price Administration.

And now, referring to complaints. At the recent hearings before the Stephens legislative committee, at which I was present, Mr. Schwab, of the American Business Congress, stated that he had 4,000 complaints from tenants.

Counsel for the Stephens committee asked Mr. Schwab if he would tabulate them and present them to the Stephens committee. Mr. Schwab said it would be impossible; he might be able to send details on about 10 of the 4,000. Counsel replied that 10 out of 4,000 would not be satisfactory, and certainly not a fair sample.

Now, if I may, Mr. Chairman, I would like to comment on some of the testimony here, and I will be as brief as possible, but I do want to comment on some of the facts that were stated here, some of the testimony which was given, because I think it is only fair that we should be heard on that subject.

The CHAIRMAN. Before you do that, Mr. Brown, may I ask you a question?

Mr. BROWN. Certainly, Mr. Chairman.

The CHAIRMAN. You said that this was unsound legislation. Let us assume, for the sake of argument, that, taking loft buildings, that there is a shortage. By that I mean that the man has nowhere to go, and that there are a number of them, and that exorbitant rent is being asked. Further, that the reason it is being asked is because the landlord is in position to say, "If you do not like this, get out."

Thus the tenant is in an unhappy situation. Now, in a case of that kind, should not there be some means to aid him and prevent the gouging process from going on?

Mr. BROWN. I would like to answer that, Senator Wagner, in a realistic form, because I have been 20 years in this business, and I know these situations backward and forward, and I have worked with these tenants during good times and bad times, this thing over a very long period of time. I do not believe that any such situation as that exists.

The CHAIRMAN. I am not asking you that. Now I am assuming and asking you to assume that it is true.

Mr. BROWN. I know that it is not true.

The CHAIRMAN. That is not an answer to my question at all.

Mr. BROWN. If you want a hypothetical answer to a hypothetical situation.

The CHAIRMAN. You have stated that the legislation is unsound. I am inquiring into that.

Mr. BROWN. It is unsound because it is not justified by the facts.

The CHAIRMAN. That is not the question I asked.

Mr. BROWN. Well, if you want a hypothetical answer to conditions such as you described, if they really existed, is that the idea?

The CHAIRMAN. That is the point I am trying to make.

Mr. BROWN. If conditions such as you describe, Senator, really existed, and if legislation could be proposed and so fashioned that would give effect to the equities on both sides, it might be desirable, but not as a one-sided proposition, and based on unproved statements.

The CHAIRMAN. I said assuming that it was true.

Mr. BROWN. I think, before I am through, if you will permit me, I will show you that it is not true.

The CHAIRMAN. There is no use of arguing with you, if you do not care to answer the question.

Mr. BROWN. I was present, as I started to say, at this hearing of the Senate Small Business Committee, at which Senator Murray and Senator Mead were present.

And where Senator Mead, as the record will show any number of times during that hearing, stated that he felt that this was a problem not for the Federal Legislature but for the local authorities.

The report of this committee was issued possibly a month and a half ago, and yet we find Senator Mead, to my immense surprise, coming here and testifying that even though the report said it did not recommend any legislation, he thinks it should have recommended legislation. I just cannot understand that statement on the Senator's part.

He also has made several statements indicating that the situation in the State of New York is simply this: That the State of New York has done nothing about this situation.

And he has imputed to the Governor of New York a statement which the Governor or his attorney did not make.

The Governor stated, in his letter, and it is on the letter, that under the existing law he had no power, and I believe everybody knows that is a fact.

Now, the facts are these: The Stephens committee has been meeting all during the summer and early fall. They have had private meetings and they have had public hearings. And they are now preparing to issue their report.

Assemblyman Stephens has indicated that it will be issued on the 15th or the 20th of December.



Now, Senator Mead also pointed out that Governor Dewey called a special session of the legislature of the State of New York for the purpose of lengthening the voting hours in New York, so that the voters might go to the polls later in the day, and he says that he may very well have included in that call this question of rent control.

I think there are a number of things that he overlooked in arriving at that conclusion. They are as follows:

No. 1, If he had done that he would not have given the legislative committee an opportunity to finish its work of investigation.

No. 2, as we all know, he was very busily engaged in a political campaign. I think some consideration should be given to both of those facts.

The mere fact that the committee had not had an opportunity to complete its work is an important thing. It has virtually completed its work now and is working on its report.

So all of this testimony to the effect that the State of New York has done nothing, and the Governor, Governor Dewey, said he had no power to do so, is just an unfair, untrue statement.

The CHAIRMAN. I do not think my colleague intended it to be unfair or untruthful when he made that statement.

Mr. BROWN. I do not think he did, but that is the effect of it.

The CHAIRMAN. He said he was unable to do so?

Mr. BROWN. I say that when he said that Governor Dewey was, or that Governor Dewey said that he was, powerless, that he should certainly have qualified that statement.

The CHAIRMAN. Did not the letter say that it was not possible for him to do so under the present conditions, or something of that sort? I think we have that letter around here somewhere. Did not the letter say it was a national proposition?

Mr. BROWN. No; I think the letter said, and the record will show just what it did say, that under the existing laws he had no power to act in this matter, and it was a matter that should be taken up with the O. P. A. in Washington.

That certainly did not say, "I am powerless, go and take it up with the Federal or National Government."

The CHAIRMAN. His letter did say that this thing had been taken care of in the Federal statutes in that it said, "This power does exist in the Office of Price Administration. I suggest that you communicate your views to the Office of Price Administration." Is that not so?

Mr. BROWN. Yes, Senator Wagner, but I think you will find later on there was an admitted mistake on the part of counsel to the Governor who did not know at the time that the O. P. A. powers did not encompass commercial rents.

The CHAIRMAN. Very well. There is no point in having any dispute about it now.

Mr. BROWN. May I go on to some of their testimony?

The CHAIRMAN. Certainly.

Mr. BROWN. Mr. Halperin testified here yesterday for quite some time. I remember that he testified with respect to the Siegel-Cooper Building, in connection with the Cohen-Goldman lease.

Cohen-Goldman is a multimillionaire clothing concern. And they recited a large increase in their present rental to $81,000 per annum.

Did he tell the committee that this rental of $81,000 is for three floors, and that in earlier years Cohen-Goldman had paid $66,000 for one floor, or one-third of the space they now occupy?

And he stated that the real-estate men had testified at New York hearings that rent control was a matter for the National Legislature, and in Washington stated that it is a matter for State action.

The first part of this statement is a deliberate falsehood. No one representing real estate ever made a statement that the control of commercial rents is a matter for the National Legislature.

The second part of his statement is correct, we did and now do state that this matter is one that should be and is being considered by the State.

Coming now to the Zuckerman testimony. Zuckerman testified that the mayor's committee on mediation functioned in 1942. This is incorrect, it was not constituted until 1943.

He stated that the mayor's committee mediated office rentals. This is untrue. It was known as the mayor's loft mediation committee, and did not have before it any office rentals for mediation.

He gave that analysis——

The CHAIRMAN (interposing). If I may interrupt. Who was it that said that?

Mr. BROWN. Mr. Zuckerman. He gave an analysis of the cases handled and the increases granted.

Some of the increases were substantial, hence the facts adduced must have justified the increases.

Most certainly the work of the committee which was praised by Mayor LaGuardia, established the necessity for examining each individual case so that justice might be done, and that obviously a single standard of percentage could not be applied to fit all cases.

Mr. Schwab testified that realty representatives stated at hearings before the Stephens committee in New York that only 2 percent of commercial rents had been increased.

I charge, gentlemen, that this last testimony is a premeditated attempt to deceive your committee.

Here is the reason:

At the last hearing of the Stephens committee Mr. Schwab made this same charge, namely, that we had claimed that only 2 percent of commercial rents had been increased.

I called Mr. Schwab's attention to the fact that no one representing real estate ever made such a statement, and that he was distorting our statement that rent paid by manufacturing tenants in loft buildings was less than 2 percent of sales.

Mr. Schwab was told by Mr. Stephens, chairman, and by Mr. Kaplan, counsel, that my statement was correct, and the transcript of the hearing showed it so, and that Mr. Schwab was wrong.

And, yet, gentlemen, he had the effrontery yesterday to repeat this misstatement to this committee.

I leave it to the judgment of you gentlemen whether any of Mr. Schwab's testimony is to be believed, in view of his willful misstatement with regard to this matter.

Turning now to the testimony of other tenant representatives:

It has been testified to here, that yearly leases had been the universal custom in loft buildings in New York. This is not true.



Prior to the depression 3-, 5-, and 10-year leases were the customary terms of loft leases.

The depression brought about yearly leases, because landlords were unwilling to tie up space at depression rentals, for more than a year, always hoping for better conditions which would enable them to get more economic rentals.

Testimony was offered here yesterday concerning a building owned by the East River Savings Bank to the effect that while the bank owned the property, rents were not increased, but that as soon as it sold the building the new owner raised rents.

But the gentlemen who testified thus, failed to point out to this committee that the bank owned the property free and clear, and that the new owner had to pay mortgage interest and amortization, and unquestionably had to have more income to defray these charges.

Now, as to this much vaunted scarcity of space. We do not deny that there is a scarcity of loft space in the garment district of New York City. We do not deny that such space is scarce.

But, we do wish to call to the attention of this committee that this condition is due to a number of factors, one of which is caused by numerous tenants, and certainly directly chargeable against those tenants.

The factor I refer to here, is the use by tenants of considerable space for hoarding piece goods, trimmings, boxes, and other supplies to insure continuous opportunity to make huge profits.

One such tenant was asked, "Why don't you give up this space so that other tenants could use it for actual operations? Do you know that you are paying a rental of $8,000 a year for storing these things?"

The reply was, "It isn't costing me $8,000 a year. Uncle Sam is paying 95 percent of it, because I'm in the top brackets."

Now, Mr. Lurie testified here with respect to New Bedford, Mass., about rent increases.

He did not state, however, whether any of these increases were for additional space leased due to war business.

Nor did he state what rentals were before the depression. It may well be that, as in New York City, with all the increases, the new rental will not even approximate the rentals paid for similar space before the depression.

Mr. Lurie did not tell you that in 1935, when manufacturers left New York City in droves, at a time when rents were at their lowest, New Bedford, Fall River, and other New England towns were the very communities which invited the manufacturers to move their factories to these towns, offering free rent for a year or two, much lower labor costs, tax exemptions, and so forth, to entice tenants to their ghost towns.

I am wondering if the rent increases Mr. Lurie speaks of doesn't touch some of these situations, particularly in the absence of figures as to what rents were over a long period of years.

I would like to dwell upon this at a little length, and review some of the factors in connection with it. For instance, one of the reasons that these manufacturers have come back here, is not that they particularly wanted to come back, but because of the war situation.

Now, in this summary, which covers my explorations that I made with respect to these 41 complaints in the garment district, I asked the

owners and agents to supply me with the comparison of 1928 rentals with 1944 rentals.

I did not pick the year 1928 myself, but I picked it because Mayor LaGuardia picked it, and he picked it because that is the year that he chose to show the difference between the assessment values then and in 1944–45.

In no instance of these 41 cases did the total rent roll ever come up to the total rent roll in 1928.

I would like to give that because as a matter of fact, I would say that in no case has it ever recovered more than 60 percent.

Now, going back——

Senator HAWKES (interposing). May I interrupt you for just a moment?

Mr. BROWN. Certainly.

Senator HAWKES. You said the total rent roll of the building.

Mr. BROWN. Yes.

Senator HAWKES. How about the individual cases in the building, were there some individual tenants in the building who were paying more than they paid in 1928?

Mr. BROWN. I do not know of a single instance in the entire garment center, the garment district, where there is any tenant paying as much as he paid in 1928, in spite of all the testimony that has been offered here.

Senator HAWKES. Thank you. Proceed.

Mr. BROWN. Now, going back to New Bedford, Mass. Mr. Lurie did not tell you, maybe he does not know it, that in 1935, when manufacturers left New York City in droves, that they did this for their own benefit, as I have indicated here before, and went to these towns such as New Bedford, Fall River, and other New England towns, and the very communities, which as I have said, had invited these manufacturers to move their factories up to these towns, offering them free rent for a year, or very low rent, and much lower labor costs, tax exemptions, and so forth, and so on, and induced these tenants to go there and fill out their towns which were then almost nothing.

I am wondering if the rent increases to which Mr. Lurie refers do not, in fact, lie in some of these very situations, and if they do not bring about the general statements that have been made here. I think that that is quite possible, particularly in view of the absence of any definite figures.

Moreover, in that period, it is well known that the New England people, particularly the New England Power Co., was sending representatives down into New York City and urging these factories to move up to New England in order to use the power generated by the New England Power Co.

There would be also the enticement of low labor costs, as compared with the New York situation, lower taxes, and generally lower expense of operation.

They were guaranteed a labor market. And they fell for it, and a lot of them moved up there, and moved out of New York with a considerable amount of speed. And a lot of them made an awful lot of money.

In fact, the only thing that ever brought them back to New York was the situation of the war, in these buildings and factories and industrial properties being needed for the war effort.



I predict, gentlemen, freely that when the European phase of this war ends you will again see a large exodus of manufacturers from New York City, and particularly the garment district.

And it will not be because of labor chiefly, but lower taxes, as well as lower cost and better labor conditions, in some of these small towns, and also such things as better sun, better air, and better light.

Certainly when that happens, and it will happen very quickly after the cessation of the European phase of the war, you are going to have plenty of space in the garment district of New York.

You had it before the war, and the minute the war is over in Europe there are projects also, and very large plans have been laid, which involve million of square feet of extra space in the garment district.

In fact, there is one in particular that you might know of, Senator Wagner, from Thirty-eighth Street to Thirty-ninth Street, on Broadway, and going all the way through to Seventh Avenue. This is a property which Mr. Lou Abrons has assembled. This runs into a million feet by itself.

Now, Mr. Halperin, an attorney representing tenants, testified at great length yesterday.

This morning, in response to a question from a member of your committee, he stated that he would be glad to comment after the realty people had testified.

It is, of course, within the power of the chairman to decide if the tenants have had their day in court or if they may be permitted to testify again and again.

If the Chair decides to hear Mr. Halperin in rebuttal, may we ask for the same privilege of rebutting their further testimony?

Now, if there are any questions that I may answer, I should be glad to do so.

The CHAIRMAN. Is Mr. Lurie here?

Mr. LURIE. Yes, Mr. Chairman. I can answer directly, if you have some questions.

The CHAIRMAN. About the situation that exists in New England?

Mr. LURIE. I should be glad to.

## FURTHER STATEMENT OF REUBEN LURIE, REPRESENTING A GROUP OF COMMERCIAL TENANTS OF NEW BEDFORD, MASS.

Mr. Chairman, and gentlemen of the committee, just for the record, I might say that my name is Reuben Lurie and that I represent a group of commercial tenants in New Bedford, Mass., and have a general interest in the New England situation. I live in Boston, Mass.

The CHAIRMAN. Can you tell the committee something about the amount of savings that were effectuated in the New England territory and what the situation was as to some of these buildings before and after as to the rent?

Mr. LURIE. I can answer that, in particular, since there is one example that has come to my attention.

This man was told that he would have to take additional space that he does not need and that he cannot use, or else he would have to get out. That is only one example.

So far as I am aware, Senator, none of these tenants that I mentioned migrated from New York. My impression is, and I will verify

it on my return to Boston, Mass.—I come from Boston, as I said—and will send you exact information.

Let me say, with regard to the question as to what the rental value of this particular property was during this prior—that is, during and just prior to the depression—it is impossible for me to give you that information, because, as I stated here this morning, this was operated by one mill originally; the entire property was one mill.

When the mill went out, then it was broken up into small units, and small tenants came in. Therefore, I have no direct answer to the statement made by Mr. Brown.

The CHAIRMAN. When did the small tenants come in, or about when?

Mr. LURIE. I would say that they have been there, from my own information as to that situation there for from 6 to 8 years, and perhaps 9 years in one case.

I do remember at the conference that I heard one of the men say that he had been a tenant for 14 years.

And with regard to the situation now as to labor. The situation with regard to labor, that I must differ with Mr. Brown for this reason, that Massachusetts has long been a rather well-organized labor community.

In New Bedford that was one of the towns that was fairly well organized.

Brockton was also well organized. It is true, and I will agree with Mr. Brown, that Fall River represented a very unfortunate situation. The city was in very extreme financial chaos, and a commission had to be appointed by the Governor and the legislature in order to manage the town for a time.

And a number of sweatshop industries came in there. The minister or commissioner of labor undertook to administer the minimum-wage laws so extremely well that some of the sweatshop industries paid penalties that ran into many thousands of dollars, and the situation improved, and it improved rather quickly.

So that while I think that Fall River perhaps might be a basis for what Mr. Brown says, I say that I cannot go that far with him as far as New Bedford, Brockton, and other similar places.

Mr. BROWN. I would like to answer Mr. Lurie and say this one thing, that I did not indicate or endeavor to infer that these same tenants were the ones that came from New York, but what I was trying to show was the factor that caused this very serious decline and very low rentals in all of this property for a very long period of time.

Mr. LURIE. I would like, Senator, to repeat that I will send to the Senator the information without delay, as soon as I return to Boston.

The CHAIRMAN. Mr. Lurie, you are going to give us these additional facts?

Mr. LURIE. I will do so as soon as I return to Boston. I will see that you get them.

## STATEMENT OF MELVIN BROWN—Resumed

Mr. BROWN. Mr. Chairman, I am ready to continue with my statement, if you desire.

Senator TAFT. Mr. Brown, I want to ask you a question that I still have never gotten much of an answer to.



Mr. BROWN. Yes, Senator. I will try to answer it to the best of my ability.

Senator TAFT. Is there any rate per square foot for loft buildings, purely and arbitrarily taken out of the air, that these landlords want to get; do they want to go back to some particular rate that they have in mind to which they think they are entitled?

Mr. BROWN. I will be glad to give you an exact figure, because I have lived through all of these times of high rents and low rents and medium rents and all sorts of rents.

The manufacturing-loft buildings in New York City do not rent their space on a per square-foot basis so far as the tenant is concerned.

The tenant does not buy square feet, but he buys a unit into which can be fitted his machines, his cutting tables, and his shop room, his office room, reception room, dressing room, business and show rooms.

So far as the landlord is concerned, there is a square-foot price. And I think, as Senator Hawkes may have indicated that it depends largely on the age of the building, the type of building, the location of the building, and the service that is given in the building.

Senator TAFT. Take a new building, what does it figure? What does he figure that he would like to get per square foot for his loft space?

Mr. BROWN. That also—I am not trying to evade, because I am going to give you specific examples—that depends on the building itself, its location, its type, its age, and its service.

Let us take a specific example of a building, a building in the loft district, in the garment center, let us say, in 1928 when building costs were high and land costs were high.

Senator TAFT. Yes. Give us the situation there.

Mr. BROWN. I would say that the figure at that time contemplated was close to $2 per square foot for manufacturing loft buildings, that is the set-up on which the financing was based, at any rate.

Senator TAFT. That was certainly an inflated price, that is, I suppose the highest that we have had mentioned here because I believe the highest we had mentioned here on yesterday was something under $1 per square foot.

Mr. BROWN. That certainly cannot be for any space in the garment district of New York, as we know it, and that includes the territory on Broadway and Seventh Avenue in prime locations, certainly on the avenues themselves. Even in the very worst of times, there would not be any such price as that.

Senator TAFT. As near as I can remember it, Cincinnati has a figure of 40 cents.

Mr. BROWN. I can tell you the reason for that. I happen to know what the situation is outside of New York and what the situation is in New York City. The situation there is quite foreign to what it is inside of New York City. A loft building does not mean anything like what a loft building means in New York City, when you consider one, for instance, in Cincinnati. That is for the following reasons:

No. 1: Your loft building out of town is usually a small structure in height. They have very little in the way of service.

In New York City, there are a great many skyscraper loft structures. Excellent service is given. And, of course, the land costs in New York, as you know, have always been a great deal higher than out of town.

Senator TAFT. Yesterday we had the 402 Lafayette Street, New York, one of the biggest increases testified to, my recollection is, at any rate, and it is 34,000 square feet. The rental there originally was about $7,500, which would be about 20 cents, and the complaint has been made that they increased that gradually to $17,500, in 1944, and that now is to be increased to $27,000, plus $5,000 bonus, or something of that sort, or a total of $32,000 in 1945, which is still less than $1 per square foot. What can you tell us about that?

Mr. BROWN. That is not in garment district. I can only testify as to what takes place in the garment district, a rather large cross section of buildings, loft buildings in New York City.

Senator TAFT. Where is this garment section or district?

Mr. BROWN. The garment district is roughly between Fifteenth Street and Forty-first Street, and it is on the west side of Manhattan.

For example, in the Midtown Association, of which I am vice president, we have 155 buildings with a total assessed valuation of $135,000,000. Those are largely manufacturing loft buildings in the garment district—garments, furs, needle trades, and so forth.

Now, Lafayette Street, is in the downtown section of New York, and I do not know much about it, but I think that is an old building.

Senator HAWKES. What can you say as to the classification of 298 Fifth Avenue?

Mr. BROWN. 298 Fifth Avenue?

Senator HAWKES. That is the Textile Building.

Mr. BROWN. The Textile Building, I think that is largely a showroom.

Senator HAWKES. It is a showroom, but it is a loft building, just the same, some type of loft building, is it not?

Mr. BROWN. I do not think there is any manufacturing that goes on in there, Senator. I think it is wholly a showroom.

Senator HAWKES. Do you mean that a loft building must of necessity mean a building in which manufacturing goes on?

Mr. BROWN. No: there are loft buildings where items are sold, but on the Fifth Avenue location, I would say that that would be regarded in the industry as a showroom proposition, because it is on Fifth Avenue.

The CHAIRMAN. Any questions? Thank you, Mr. Brown.

Whom do you have next?

Mr. DAILEY. Mr. Sheaff. Mr. Sheaff is vice president of one of the largest management agents in New York, and also chairman of the rental conditions committee of the real-estate board, and therefore, I submit that he is fully able to give you proper information as to rentals, and he would like to speak on behalf of that particular group.

The CHAIRMAN. We have heard a great deal about that. If you can make it brief I think it would be helpful.

Mr. DAILEY. We can make it pretty brief. We realize that there is a need for time, but at the same time the point has arisen and we feel that we must cover it, because this legislation, if passed, is in such form that it wil cover the commercial rents whether or not it is in stores or whether it is in offices, or whether it is in lofts.

The CHAIRMAN. That depends on what the committee decides to do. I think Mr. Whiston covered that situation rather fully, when he began this afternoon. Will you be very long?



Mr. SHEAFF. I would like 3 minutes, Senator.

The CHAIRMAN. I will allow you sufficient time. I am not limiting you, except I do not think we ought to have any repetition.

## STATEMENT OF L'HUILLIER S. SHEAFF, NEW YORK CITY, N. Y., CHAIRMAN, RENTAL CONDITIONS COMMITTEE OF THE REAL ESTATE BOARD

Mr. SHEAFF. My name is L'Huillier S. Sheaff. I am general chairman of the rental conditions committee of the Real Estate Board of the City of New York.

I merely want, sir, to produce and put before you the local New York picture, rather than the composite picture for the country, because so much testimony has been given with respect to New York City that I feel that a very confused building picture has been brought about, and I think that I can clear this up in a very few words.

Now, as general chairman of the rental conditions committee of the real estate board, I am supervising 13 district committees that keep records regarding occupancy and rentals in various business districts, apartment districts, and store districts in New York City.

In our office building work we cover seven districts, and as an adjunct of the committee, we make regular reports of the rental conditions three times a year.

I have before me the September 1, 1944, report which shows the vacancy in office buildings at two and a half million square feet of rentable office space, plus 272,000 square feet of rentable office, or rather rentable store buildings or store space.

Now, something has been said by Mr. Whiston with respect to the pending giving up of space by the Government as the war effort is diminished in Europe.

I was only informed yesterday that in one of our buildings downtown, the Army is going to give up four floors, very large floors. You, Senator Wagner, know the building, which is at 165 Broadway.

The CHAIRMAN. I know it very well.

Mr. SHEAFF. We have in our buildings in the city over 4,000,000 feet of Government-occupied office space at the present time, of which a goodly portion will be given up.

Now, it is quite obvious that with this overhanging of Government space, plus two and a half million square feet actually vacant space, there is no emergency with respect to office occupancy.

I think with respect to office rentals I would like to just say a word in supplement of Mr. Whiston's in order to give you the New York picture.

The CHAIRMAN. Yes.

Mr. SHEAFF. You, Senator, are as familiar as any of us with 120 Broadway, the Equitable Building. That building, at the present time—which, incidentally, is considered to be among one of the finest office buildings in the country, if not in the world—is in a process of reorganization in the Federal district court before Judge Knox.

Now, in the record of that court there is a statement as to income and expense on that building from the time it was opened down to the present time.

In order to make a short record and give you a very short record as to something of interest in this matter of square feet, there has

been a considerable discussion of per square feet here, Senator, so that you may have a basis of comparison, I might say that in 1931 the income of the Equitable Building on account of rents was $5,792,000, including sundries, it was $6,333,000. The net income was $4,389,000.

The rent per square foot was $4.96. The occupancy was 99 percent.

As of 1943 the total rental income had dropped to $2,603,000. The income, gross income including charges for electric current was $2,895,000. The net income was $992,000, or less than one-fourth of what it was in 1931.

The rate per square foot was $2.45. The occupancy was 82.7 percent.

Those are figures in the records of the Federal court which are now being considered in connection with the question of reorganization of that building, the Equitable Building.

I also would like to put in evidence a chart showing the average rate per square foot for space in 20 office buildings located south of Courtlandt Street, Manhattan, New York City.

Total area of these buildings is 7,416,123 square feet.

In 1930 the average rate per square foot was $4.34. The low point was not reached until 1943, when the average rate was $2.26. And in the year 1944 that has undergone an increase to $2.34. Of course, the actual income has increased more than that because of the fact that occupancy has not been the same throughout the period.

The CHAIRMAN. Part of the Navy Department is in there now, in some of these floors at 120 Broadway?

Mr. SHEAFF. Yes. They have considerably increased their space there. We have a considerable Government occupancy.

I am sure you will appreciate the fact that in case of reorganization of certain office buildings—and you, yourself, were a receiver for one of the large buildings uptown, the Lincoln Building, Senator Wagner, it was necessary during 1935 to accept even rentals that did not bear any relationship whatsoever to the economic rental value for the property. You will recall that situation.

The CHAIRMAN. I remember the Lincoln Building.

Mr. SHEAFF. I might add, too, that in the courts of the State of New York day in and day out Mayor LaGuardia's real-estate representatives, in appraising property for certiorari proceedings testified time and time again that landlords should be receiving rentals that were far in excess of the rentals that the statements of the owners showed. And the intention of the State and city is that those rentals should be supported in order to support the excessive assessments on many of our office structures.

As far as store space is concerned, there is no shortage of store space. There are plenty of vacant stores. In many sections the rentals have not gone up comparably, and in other sections they have gone up where it is on a percentage basis.

I can cite store after store where rentals are still far less than 50 percent of what they were in 1926.

The CHAIRMAN. Are there any questions anyone desires to ask?

Senator HAWKES. I would like to ask a question, Senator.

The CHAIRMAN. Proceed.



Senator HAWKES. I would like to ask a question of you, Mr. Sheaff. Do you think that in any instance any of these stores have reached the figure that they had in 1926?

Mr. SHEAFF. Some have.

Senator HAWKES. Can you tell us about some of those?

Mr. SHEAFF. Very few have reached that figure. The ones that have shown an increase are stores on a percentage basis in certain lines of business, such as restaurants located in prime locations.

Such a store is Stauffer's Restaurant on Pershing Square, right opposite Grand Central Station. There the rental is 7 percent and the owner today is getting a substantial increase.

The CHAIRMAN. What one is that?

Mr. SHEAFF. Stauffer's Restaurant, occupying a very considerable amount of space, I think 30,000 feet.

Senator HAWKES. But it is your feeling that in any case where an arbitrary rental has been put on that and paid, that it does not have anything to do with percentage of sales, that is, it has not reached up as high as the 1926–30 levels?

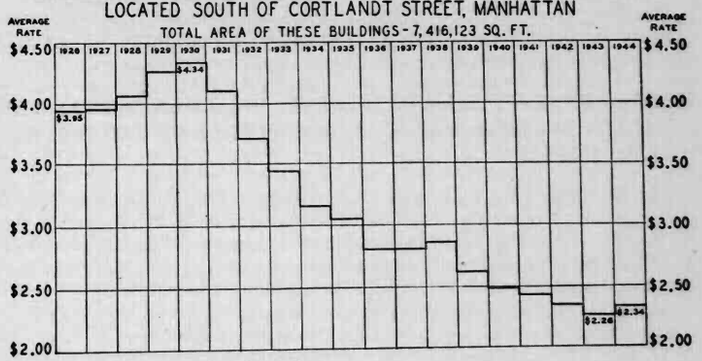
Mr. SHEAFF. Not to my knowledge, and I know many, many of them. I have lived in the city there for 21 years, and have been occupied in the renting and management of office buildings.

The CHAIRMAN. Thank you very much.

(The chart referred to is as follows: )

AVERAGE RATE PER SQUARE FOOT FOR SPACE IN 20 OFFICE BUILDINGS LOCATED SOUTH OF CORTLANDT STREET, MANHATTAN

TOTAL AREA OF THESE BUILDINGS - 7,416,123 SQ. FT.




The CHAIRMAN. Mr. Dailey?

## STATEMENT OF CLARKE G. DAILEY—Resumed

Mr. DAILEY. Mr. Chairman and members of the committee, I do not believe it is necessary for me to add anything. However, I would like to leave this thought with you. It is my own belief that as to offices and stores, that they have no place here at all, and that they should be taken out; stores and offices rents are not in the same position with loft buildings and industrial buildings.

There is a specific reason for increased rents.

That is the only way to get anything like a reasonable return on property, because presumably rentals, when properties were built had then only a reasonable return.

Now, how are you ever going to get up to that point unless there is more return by a rise in rent? One objection to this bill is that it has no recommendation to cover the different equities of the situation. We want to be just and fair, just as I am sure the great bulk of the people in the country want to be. Each situation has many things which are involved.

The management has to have a sufficient return to carry the building, or the management will fail.

In this mater of office space, I do not think that will have any effect upon the economy of the Nation at large, and I think you can agree with me on that, based on your own experience. As a matter of fact, the Trinity Buildings in New York only earn 1 percent on their assessed value. Imagine the difficulties in freezing a situation like that. That is what we want this committee to consider, if they ever come to a bill on this matter. I think Senator Taft suggested at some time in the future, if the necessity for legislation ever arose, there certainly ought to be something in the bill which will provide equity for both sides.

Senator TAFT. I think that we ought to omit office space entirely.

Mr. DAILEY. That is all I have to present, unless you have some questions.

The CHAIRMAN. Any questions? Apparently not. Thank you.

Mr. DAILEY. If I might suggest, one of our members has a telegram that he has just received from Chicago, and he would like to read that to the committee now.

## STATEMENT OF WILLIAM H. DOUGHTY, CHAIRMAN, RENTAL COMMITTEE, BUILDING MANAGERS' ASSOCIATION OF CHICAGO, CHICAGO, ILL.

Mr. DOUGHTY. Mr. Chairman and gentlemen, I might say that I have just received from my partner in Chicago, Mr. R. E. Hieronymus, the following telegram. Mr. Hieronymus is secretary and treasurer of the Chicago Loft Building Association. I received this telegram late last night, and I believe it would be interesting. It reads:

Transmitted following telegram to Senator Wagner today: "The Chicago Association of Loft Buildings has secured data from 26 representative loft buildings in Chicago which shows that the cost of operation of Chicago loft buildings in 1943 was 12⁹⁄₁₀ percent higher than in 1940. The gross income from these buildings for the year 1943 was 14¹⁄₁₀ percent higher than in 1940. Furthermore, the rental rates now in effect are considerably below the predepression levels, whereas the operating costs are substantially higher. The foregoing indicates that there has been no rent gouging in Chicago loft buildings and that Government regulation of these rates is not justified."

This is signed R. E. Hieronymus, as I stated.

Now, I should like to at this time read this letter from the Building Managers' Association of Chicago, 140 South Dearborn Street, Chicago, Ill., dated November 28, 1944:

This letter reads:

The Building Manager's Association of Chicago respectfully submits to the Banking and Currency Committee of the Senate the following statement on the subject of Federal control of business accommodations, as proposed in S. 2176.



This association embraces in its membership the principal office buildings in Chicago, there being only four well-known buildings which are not members. In May and October of each year the association makes a comprehensive survey of the occupancy and vacancy of office buildings. This survey includes reports from more than 150 important fireproof buildings. As of October 1 of this year we had 27,000,000 square feet of office space in these buildings and there was still unrented and unoccupied more than 2,000,000 square feet. This substantial vacancy exists in spite of the fact that the United States Government has leased and occupies more than 2,000,000 square feet for its expanded requirements for war purposes. Furthermore, this figure does not include the 1,200,000 square feet of office space occupied by the Government in two of the world's largest exhibition buildings, the Merchandise Mart and the American Furniture Mart, which are not covered by the association's surveys.

The members of this association know that they would suffer from inflation and therefore are in accord with any steps that are necessary to avoid it. But it is their considered opinion that since there are available in Chicago more than 2,000,000 square feet of office space into which a tenant may move, the law of supply and demand will continue to hold down rental rates in our buildings. This substantial amount of vacant space now available in Chicago, coupled with the fact that Government agencies and the armed forces have already begun to relinquish space, creates a situation which is entirely different from that in the dwelling and residential field. Accordingly we believe that any attempt at an artificial control of office rents, insofar as this city is concerned, would result only in a serious waste of man-hours of labor on the part of those regulated and a waste of money on the part of the Government.

Whatever demand there may be for an expansion of rent control stems from wartime considerations. Therefore, it is pertinent to compare the present status of office buildings with that prevailing just before the war. We are presenting in this statement a table which reveals the financial experiences of Chicago office buildings for the years 1940 and 1943. Many of these large buildings make annual reports to the National Association of Building Owners and Managers. These reports are consolidated and broken down to show income and cost factors on an average square-foot unit basis in order that owners may see how they are operating their buildings as contrasted with others.

Applying these square-foot unit figures to the rented office space in the Chicago office buildings heretofore mentioned, the following comparative table for 1940 and 1943 results:

| | 1940 | 1943 |
|---|---|---|
| Occupied area (square feet) | 21,409,820 | 23,502,378 |
| Tax valuation | $249,183,335 | $255,072,179 |
| Operating expenses (before taxes) | 26,651,632 | 30,774,390 |
| Real-estate taxes | 8,777,483 | 9,947,815 |
| Total expenses, including taxes | 35,429,115 | 40,722,205 |
| Total income | 42,850,080 | 45,935,498 |
| Net income | 7,420,965 | 5,213,293 |
| | *Percent* | *Percent* |
| Operating ratio (expense to gross income) | 83.2 | 88.7 |
| Rate of net return on tax value | 3 | 2 |

From the above you will see that the net income of this industry in Chicago has declined since 1940. This in itself is the best proof that there have been no inflationary increases in office rents. It is evident that the improved gross income of the industry has resulted from occupancy of more space, and not from increased rental rates. Even with increased gross income, the net yield is only 2 percent on tax value, whereas in 1940 the net return was 3 percent.

As a matter of fact, despite increased occupancy due in large part to temporary Government leasing, the increased costs of wages, supplies, and real-estate taxes have more than offset the additional rent received from the Government and other sources of improved occupancy.

It should also be noted that in 1940, out of each dollar of income 83.2 cents went for expenses. In 1943 this expense figure was 88.7 cents, leaving only 11.3 cents for such items as ground rent, mortgage interest, replacements, and finally for capital return.

**From all the above evidence it is clear that the prices of office space in Chicago have been effectively controlled by the law of supply and demand. In view of the large amount of vacant space still available, and with continued curtailment of Government occupancy in prospect, it is apparent that there is no need of Federal regulation of office building rents in Chicago.**

This is submitted by the Building Managers' Association of Chicago, by Gilbert Scribner, its president, and by myself, as chairman of the rental committee.

If there are any questions, I should be glad to answer them.

The CHAIRMAN. Any questions? Apparently not. Thank you.

Mr. WHISTON. Mr. Chairman, I have here 18 members of the industry scattered throughout the country, who would like to be heard. There are certain of them, particularly those from Philadelphia, Duluth, Indianapolis, Baltimore, New Orleans, Pittsburgh, that I would like to have heard, as well as from Cleveland. If you have any one of them in mind that you would like to hear from, and if you have any questions, they are right here and they would be glad to answer them, otherwise, I would like to have the privilege of having them present their statements on the face of the record here. May that be done?

The CHAIRMAN. Very well.

Senator TAFT. What are all of the cities that you have there?

Mr. WHISTON. Atlanta, Akron, Buffalo, Chicago, Cincinnati, Cleveland, Denver, Duluth, Indianapolis, New Orleans, Oklahoma City, Philadelphia, Rochester, St. Paul, Minneapolis, and perhaps a few others. I am extremely desirous of having these gentlemen's statements appear in this record, because it gives a cross section of the situation as it exists throughout the United States, and they will be very brief.

The CHAIRMAN. Before we proceed further with that, I should like to know if any of the members of the committee desire to hear from one of these gentlemen at this time.

Senator TAFT. As far as I am concerned, I should like to hear from Cleveland.

The CHAIRMAN. I promised Mr. McAvoy, representing the C. I. O., an opportunity to be heard today. He can only be here for today, and I promised to hear him for a few minutes.

## STATEMENT OF CLIFFORD McAVOY, REPRESENTING THE UNITED ELECTRICAL AND RADIO MACHINE WORKERS OF AMERICA AND THE GREATER NEW YORK INDUSTRIAL UNION COUNCIL

Mr. McAVOY. Mr. Chairman and members, I might say that my name is Clifford McAvoy, Washington, D. C. I am here representing the C. I. O., that is, I represent the United Electrical and Radio Machine Workers of America, and the Greater New York Industrial Union Council.

The Greater New York Industrial Union Council, Senator Wagner, the Central C. I. O. body in New York City, has asked me to appear today, Senator Wagner, and put them on record as favoring a favorable report for Senate bill 2176, the bill before the committee today.

The C. I. O. unions in New York City, for the most part, consist of employees of small firms in the furniture, shoe, fur, and electrical



manufacturing industries, and we have many plants in which they are occupied. We have had many complaints on hand and do have them on hand now from employees, members of the C. I. O., working for firms of that type to the effect that there is a great danger that these firms will have to go out of business in New York by the end of this year or shortly after if they are compelled to pay the exorbitant rent increases that have been demanded by owners of buildings in which the firms are located.

Now, I can furnish the committee, and I will be glad to furnish the committee specific examples of such complaints. I do not have them with me here today.

The CHAIRMAN. You will furnish them to the committee?

Mr. McAVOY. I will do that, Senator.

I would like to add to that statement, Senator Wagner, the opinion that the New York C. I. O. is not a very sanguine one about the possibility of action by the New York State Legislature in the coming session.

As you know, Senator, the Stephens committee does not have to report before March 1, 1945.

Now, the session of the New York State Legislature generally runs through the middle or the end of March. And we believe that, although the report of the committee will undoubtedly go to the legislature prior to the close of the session, that there will be no action at this coming session, and that the administration will want to consider the opinions and the recommendations of this committee for some time before acting upon it so that there would not be any action before January 1946.

Senator TAFT. Is there any State law fixing residential rents in New York City?

Mr. McAVOY. No, there is not; and since there is no municipal law either fixing commercial rents, why, the only possible remedy that we see for this drastic situation in New York City is action by the Congress.

Now, we have heard today that there are not many examples before the committee of increased drastic rent increases in other sections of the country. I do not know and I have no evidence myself as to whether or not that is the case, but it seems to me that in such a large center as New York City, where there are so many people employed, the situation there, particularly since the State legislature is not likely to take any action in the near future, but that situation should be considered and should be acted upon and by Congress, as soon as possible.

Senator TAFT. I hardly think that that is an excuse, the fact that they must wait until they have digested the committee's report. You have a new legislature just elected. If you have a bill and that has been introduced, why, they should act upon it. It seems to me that the legislature can be held responsible if this committee has not reported, for not taking action until after they have had an opportunity for reviewing that report.

We could not give that as an excuse here.

Mr. McAVOY. The composition of the legislature is about the same as the last legislature.

Senator TAFT. Did you present this to the last legislature?

Mr. McAVOY. Yes.

Senator TAFT. When they were in session?
Mr. MCAVOY. That is right.
Senator TAFT. In regular session?
Mr. MCAVOY. Yes; this bill was presented.
Senator TAFT. How far did you get? Did you have a hearing?
Mr. MCAVOY. Yes; there was a hearing, and it did not come out of committee.

It is understood that the Governor did not want to have any action by the legislature at that session, and his word is pretty much law or was with the last legislature, so there was no action.

Senator TAFT. Still, that is no excuse.

Mr. MCAVOY. I hope, gentlemen, there will be a favorable report of this. Thank you, Senator.

The CHAIRMAN. Thank you very much.

Mr. WHISTON. If the chairman please, I should like to present Mr. George D. McGwinn, president of the Cleveland Association of Building Owners and Managers, Cleveland, Ohio, and after him, a few of the other cities to give the committee a fair cross section, and I think that will take care of our situation pretty well.

The CHAIRMAN. Very well, Cleveland is a great city.

## STATEMENT OF GEORGE D. McGWINN, PRESIDENT, THE CLEVELAND ASSOCIATION OF BUILDING OWNERS AND MANAGERS, CLEVELAND, OHIO

Mr. MCGWINN. Mr. Chairman, and members of the committee: I should like to present my statement as briefly and quickly as I can.

Senator TAFT. We just want you to be specific.

Mr. MCGWINN. Possibly, Senator, I can explain our situation more readily by presenting it in a rather concise form.

Senator TAFT. That is quite all right.

Mr. MCGWINN. I can talk better and I believe a little louder if I am standing.

I respectfully submit as president of the Cleveland Association of Building Owners and Managers for the consideration of your committee, a brief review of the store and office building situation in the city of Cleveland, Ohio, for the past 18 years, covering particularly the last 4 years. I trust that this will give you ample evidence as to the local industry as a whole, and to further substantiate this report I enclose herein reports from various members of our association covering their specific financial problems relative to the properties that they operate. These individual reports cover most of the office space in this community represented by this association.

I would like to file in connection with this matter, letters from the managers of the following buildings:

The Brotherhood of Locomotive Engineers.
The Standard Building.
The Rose Building, which is operated by the estate of Benjamin Rose. The net income of this building goes to charity.
The Terminal Area Building. That is entitled "The Cleveland Terminals Building Co."
The Union Commerce Building.
The Williamson Building.



The Hanna Building, operated by the T. W. Grogan Co.
The Leader Building.
The Rockefeller Building.

These comprise in area, a total rental area of 3,000,000 square feet.

The profits of our industry since 1926 steadily decreased for approximately 8 years by reason of new buildings having been erected, which created a surplus of vacancy that forced all rates per square foot down to a point where equity owners lost their investment and bondholders and mortgage holders took over. This created a situation of greater chaos in our industry in this city than that suffered by any other major industry or business in this district.

Your honorable committee is undoubtedly aware of the fact that money was made in our industry only by the enhancement of value created by the growth of the metropolitan area. With few exceptions, office buildings were constructed by institutions or individuals that made their money in other lines and developed skyscrapers as monuments to their institutions or their names.

Unlike monuments that were set up for our great American heroes, annuities were not established to perpetuate the maintenance and upkeep. These monuments were constructed with equity money and mortgage financing with fixed interest and principal payments. The income from tenants acquired was supposed to carry on the monuments. The fallacy of this idea has been proven throughout the country, and the failure of equity owners and losses to bond and mortgage holders are one of the saddest plights on the records of American finance.

During the 18 years that I speak of, the area in office buildings in the city of Cleveland approximately doubled while the population of our city remained practically static. If your committee could visit our city it would take the writer no more than 30 minutes to show you the six buildings, that I have any knowledge of, that weathered this storm. Approximately 75 percent of these properties either went through the wringer or were reorganized by the bondholders, underlying fee owners, or holders of securities of various descriptions.

Since 1934 there has been a slow, difficult, profitless operation of these properties that has now reached the point due to stimulation of business created by the war and the occupancy of approximately 600,000 square feet of Government war effort offices, where the vicious competitive bidding for tenants has terminated and a slight stiffening of prices has been the result. In the over-all picture of our industry, which has approximately 8,000,000 square feet, I believe I can safely say there has not been over a 4 percent increase in rentals, which is counteracted by an upward trend in additional labor and material costs of approximately 20 percent, not including the additional tax burden.

Take the three store and office buildings in our Terminal Public Square district. These buildings comprise about one-eighth of our area. They have gone through our bankruptcy courts and although they have been reorganized, are still operating at deficits running into hundreds of thousands per year. The reason for this is that the average square-foot rate is $2.26 when it is necessary to have a square-foot rate of one-third more per annum for a small profit operation. These buildings are the newest and finest in the city of Cleveland and are

constructed at the terminal of practically all of our city-wide and out-of-town transportation.

Then one-eighth more of our area is represented by the Union Commerce Building at East Ninth and Euclid Avenue, the center of downtown Cleveland. That building today is rented at an average of $1.96 per square foot when it cannot show a profit on its depreciated cost at a rate less than $3 per square foot.

Another one-eighth is represented by the Hanna, Leader, Rockefeller, Osborn, Erie, Huron-Ninth, Film Exchange, Upper Carnegie and Carnegie Medical Buildings, operated by the T. W. Grogan Co., of Cleveland. Of these nine buildings, seven of them were put through foreclosure; one was refinanced on the basis of 80 percent of its land trust certificates and first leasehold mortgage; and only one of the lot weathered the storm without financial trouble. The reason for this exception was that it was constructed in 1914 at low cost and had its obligations paid off before the decreases set in. Even now its income does not benefit the owners any more than the same investment would return in good Government bonds.

That is the story of three-eighths of the industry. The others, by reason of cost, location, financing, decreased rates and age, present a more disheartening operation than the three groups mentioned above. Just as an example we will use a medium-sized office building located at 850 Euclid Avenue, the hub of downtown Cleveland. There was a $2,000,000 land trust certificate issue against it, a bond issue in excess of $1,000,000, and a common stock issue on top of that. Today the stock has been washed out, the bonds will be washed out as soon as certain legal actions now pending are consummated, and the land trust certificate owners will realize around 75 cents on a dollar for their $1,000 certificates. This is only one, and it is one of the best of the other five-eighths. One of the worst is the 1227 Prospect Building that had the equity stock as well as a $500,000 bond issue washed out and the fee owner, with the security of a 10-story office building and an original ground rent of $10,000 per year, sold the land and the building for about $60,000.

In the interest of the time of your committee, I will submit no further detail in this review of the general situation. In closing I wish to state, however, the following facts:

Almost all of the increased income of our industry in the past 4 years has been derived from rental of vacancy, not unit price increases.

Approximately all of the rental per unit increases came from readjusting rentals that were granted to organizations in financial difficulty during the depression to correct substandard prices beneath the building's low scale, plus additional income derived from retailers on percentage leases who were paying minimum rentals from 10 to 25 percent below the rate the same stores would rent for on a guaranteed flat rental basis without percentage.

Present operating costs, because of increased cost of labor and material, and existing governmental regulations, would be 25 percent higher if help could be acquired to operate properly and the usual alteration changes and maintenance improvements were being made.

The present office vacancy of 640,000 square feet is ample to take care of any additional space demands and acts as a stabilization ceiling in itself.



We, therefore, appeal to your honorable committee as loyal and patriotic citizens of this country having an intense desire to further the war effort in every respect, to refrain from placing rent ceilings on commercial property in this district, and allow us to continue in our struggle to meet our fixed obligations and save our industry from another chaotic collapse.

Senator TAFT. And may I ask you what the situation is in Cleveland as to other buildings, store buildings, as to the rents? Have they gone up and stiffened somewhat?

Mr. MCGWINN. They have increased slightly.

Senator TAFT. What is the situation with regard to the Cort Co., Cort Shoe Co., I believe it is?

Mr. MCGWINN. I have not been able to check as to the facts on that as to the Cort Shoe Co., but I will do so as soon as I return, and I will send you a report.

Senator TAFT. What was, in general, store rents? Do you have some exhibit which would show the percentage of that?

Mr. MCGWINN. I cannot give you the exact details on that.

Senator TAFT. I just wanted to get a general impression.

Mr. MCGWINN. There has been a slight increase due to percentage lease arrangements.

Senator TAFT. Are there vacancies in Cleveland?

Mr. MCGWINN. Yes; there are vacancies there.

Senator HAWKES. What are the highest percentages that you have there of increase?

Mr. MCGWINN. In 1940, the Rose Building, $4.70, and that has gone up to $5.50, that is an increase of 80 cents per square foot, and that is approximately 18 percent.

In the Brotherhood Building, it has advanced from $1.24 up to $1.31.

Senator HAWKES. Was any of this building space in existence in the 1920's?

Mr. MCGWINN. Some of it has been in existence since 1900.

Senator HAWKES. 1925?

Mr. MCGWINN. Yes, we have one building here in 1920, built in 1920, the Rose Building, and then I think the Williamson Building was built in 1900.

Senator HAWKES. Can you give us the net rate on that building which you just made some reference to, Mr. McGwinn?

Mr. MCGWINN. The one for $4.70 which went to $5.50, that was not built back in the twenties. I have got it for the Williamson Building, 1926. The rate per square foot in the Williamson Building in 1926 was $2.72, overall, including stores and offices. I do not have it for 1920 for that building, but the rate in 1943 is $1.65.

Senator TAFT. What about the loft building situation in Cleveland? You have quite an immense clothing industry? Do you know anything about the situation there as to vacancies, and so forth.

Mr. MCGWINN. I am one of the trustees of an estate, which operates buildings, one of the buildings in our community, which may be regarded as a loft building, and handles needle trades and light machinery, and in that the rentals have increased from 1940 to 1943 by 20 percent.

Senator TAFT. How much was that?

Mr. McGWINN. 20 percent.

Senator TAFT. That is from 1940 to 1943?

Mr. McGWINN. Yes, Senator.

Senator TAFT. Is there any shortage of loft space in Cleveland today?

Mr. McGWINN. There is not. There is no shortage of loft buildings in Cleveland. I sold a building a month and a half ago, which is a loft, and what is equivalent to a loft area of 43,000 feet , and only half of that building is taken, the other half being vacant, about 20,000 feet.

Senator HAWKES. About 20,000 feet of that loft building is vacant?

Mr. McGWINN. It is still vacant.

Senator HAWKES. There is no such situation comparable to that which you have heard testified to in New York?

Mr. McGWINN. No, Senator.

The CHAIRMAN. Any questions? Thank you.

(The following data were submitted by the witness:)

*Buildings submitting letters to Senate Banking and Currency Committee re rent control*

| Building | Total rentable office area, square feet | Mercantile area, square feet | Building | Total rentable office area, square feet | Mercantile area, square feet |
|---|---|---|---|---|---|
| Guild Hall | 147,819 | 0 | Engineers | 145,619 | 8,089 |
| Republic | 172,382 | 11,400 | Standard | 213,111 | 43,290 |
| Midland | 206,422 | 80,891 | Hanna | 346,496 | 44,746 |
| Terminal Tower | 432,260 | 99,936 | Leader | 218,724 | 35,705 |
| Union Commerce | 836,225 | 119,320 | Rockefeller | 166,158 | 15,850 |
| Williamson | 129,397 | 24,444 | | | |
| Rose | 160,058 | 24,661 | Total | 3,174,671 | 508,332 |

ESTATE OF BENJAMIN ROSE,
*Cleveland, November 29, 1944.*

BANKING AND CURRENCY COMMITTEE,
*Senate Hall, Washington, D. C.*

HONORABLE GENTLEMEN: I am attaching a simple statement showing the trend in the rental rates of our Rose Building since 1940.

It will be noted that there has been a slight increase in our office rates (averaging about 6⅔ percent) but that otherwise our present experience is about the same as in 1940.

Much stronger rental rates are necessary to restore equity values and investment returns lost by commercial buildings since the early thirties and never recovered due in a large measure to the surplus space created by ambitious building programs a few years before. This surplus still exists and while a considerable part of it is temporarily absorbed by Government and other war services, it is not, in my opinion, the kind of absorption upon which anything but a reasonable expense-adjusting increase can be predicated. The risk of selfishness would be great even in an area of 100-percent occupancy because the good commercial occupancy status today has within it a bad potential factor of vacancy, and I believe the situation is pretty generally so regarded by our industry.

I therefore respectfully suggest that inasmuch as the commercial building owners and managers of this Nation have so far, with only rare exceptions, conducted their properties and their policies justly and equitably, it would be eminently unfair to impose upon them at this time the restrictions contemplated by Senate bill S. 2176.

Sincerly yours,

J. R. HOLLANDER, *Manager.*



*Rose Buildings, East Ninth and Prospect Avenue, Cleveland, Ohio*

[10-story medical, commercial, and mercantile building containing 184,719 square feet of rentable area]

| | 1940 | 1941 | 1942 | 1943 | Present |
|---|---|---|---|---|---|
| Mercantile | $4.702 | $5.366 | $4.613 | $5.548 | $5.50 |
| Commercial | .747 | .742 | .734 | [1] 1.097 | [1] 1.123 |
| Medical | 1.849 | 1.835 | 1.828 | 1.956 | 1.952 |
| Occupancy, percent | 90.4 | 90.2 | 86.9 | 69.6 | 78.6 |

[1] These rates include a rate for janitor and maintenance service on approximately 18,000 square feet of commerical area which previously had been rented on an unserviced basis.

CLEVELAND, OHIO,
*November 29, 1944.*

GEORGE D. McGWINN,
*President, Cleveland Building Owners & Managers Association,*
*Cleveland, Ohio.*

DEAR SIR: I understand that a committee from our Cleveland association is appearing in Washington before the Senate Banking and Currency Committee to discuss the matter of the commercial rent control bill. During my 26 years as manager of the Standard and Brotherhood of Locomotive Engineers Buildings, Cleveland, Ohio, I have been responsible for the complete management and to do all things necessary and incidental thereto, including the renting of all space and the income therefrom.

My experience in the management of these buildings through the years leads me to believe that it is unlikely that any unjustified increases in rentals will be put into effect this year or any year in the near future. One of the main reasons is that there is still considerable office space available in our buildings and throughout the Cleveland area at present. This does not take into consideration the large amount of additional vacancies we will undoubtedly have at the end of the present war. The supply and demand is very definitely going to control the rates in the Cleveland area for many years to come because of these vacancies and with competition as keen as it has been and is likely to be, the office building industry in this section certainly should not be penalized by any legislation injurious thereto.

There has been a very large percentage of vacancies in Cleveland constantly since the year 1925 due to the construction of new buildings totaling approximately 3,400,000 square feet of office space. The average yearly vacancies in our two buildings for the past 5 years, including 1944, has been about 25 percent.

In our two properties we have maintained a fairly consistent rental income per square foot and have not made any unjustified increases in rentals during this year or last, nor do we intend to make any unjustified increases in the future.

In proof of these statements you will find below the average rental income per square foot of rented space on both building for years 1940 to 1944, inclusive.

| The Standard Bldg: | | The Brotherhood of Locomotive Engineers: | |
|---|---|---|---|
| 1940 | $1.45 | 1940 | $1.24 |
| 1941 | 1.44 | 1941 | 1.25 |
| 1942 | 1.49 | 1942 | 1.25 |
| 1943 | 1.50 | 1943 | 1.27 |
| 1944 | 1.52 | 1944 | 1.31 |

You will readily note there is no indication of excessive rentals during any of these years and not likely to be any material change for some time due to many reasons which I think our chairman will point out.

We are very definitely opposed to any Government regulations of commercial rentals as we have gone through about 20 years of very severe conditions and during nearly all of these years operations have been at a loss and are likely to continue at a loss until the vacancies can be absorbed.

Assuring you of our cooperation in this matter, we are,

Very truly yours,

BROTHERHOOD OF LOCOMOTIVE ENGINEERS BUILDING ASSOCIATION,
By FRANK W. CHOPP, *Managing Agent.*

CLEVELAND, *November 29, 1944.*

Mr. GEORGE D. MCGWINN,
*President, Cleveland Association of*
*Building Owners & Managers, Cleveland, Ohio.*

DEAR MR. MCGWINN: In your effort to induce the United States Senate Committee on Banking and Currency to disapprove Senator Wagner's amendment to S. 2176, which is intended to cause a ceiling to be placed on commercial rents, we would appreciate having you place at the disposal of this committee the following facts as they affect our interests:

The Cleveland Terminal Buildings were the last, with few exceptions, of the Nation's largest and most modern commercial buildings constructed during the close of the 1920's. They were the final touch to a skyscraper boom that left the Nation with a tremendous oversupply of office space. In Cleveland this oversupply turned out to be considerably more than the national average.

The Terminal Building group, with its department store, hotel, garage, railroad and rapid transit termini, a 54-story and three 18-story buildings, providing over 1,100,000 square feet of office space, compares favorably with New York's Rockefeller Center both in size, design, and services provided to patrons. During the 15 years of their existence these Terminal buildings have been the subject of bankruptcy proceedngs for 8 years. Federal reorganization of the four office buildings was completed less than 3 years ago; 1930 was the only year in which any one of these office buildings operated in the black. Deficits after depreciation, and in most instances before depreciation, have ranged from $505,000 to $919,000 each year.

Although occupancy has increased since Pearl Harbor, the average rental rate in these office buildings is less in 1944 than it was at the beginning of the war. The principal reason why rental rates have been lowered since 1940 is because of the greatly reduced rate obtained by large governmental agencies during that period. It was only natural that the Government should take advantage of the existence of this great surplus of space. As a result, governmental agencies today are enjoying a rental rate in most instances far below that paid by private enterprise. A rate which when analyzed is not sufficient to pay the present greatly increased building operating costs. Recent increased occupancy has been measurably offset by operating costs.

The sale of space in our office buildings is not to be compared with residential space, in that office space, unlike residential, is principally a service product expressed in the furnishing of manpower which provides heating, lighting, cleaning, repairs, remodeling, and so forth, and the cost of producing this manpower service has in many cases doubled since 1940. Few products in American industry have provided less return on investment than that of the skyscraper industry. It at no time should be compared with other real-estate investments. Proof of this is found in the fact that nowhere during the past two decades has there been any major capital investment in new or old office buildings.

Office buildings, located principally in the centers of our large cities, have almost from the beginning been victims of decentralization—the gradual movement of people from the center to the outskirts of the city. That trend is still in progress and will be measurably stepped up at the end of hostilities, leaving the future of this, the Nation's sixth largest industry, in a position of even greater insecurity.

To place a ceiling on rents which have never recovered from those fixed during the depression would not only further jeopardize the interests of present investors but would cause immediate decadence in capital and civic interest in the central areas of our cities, and in time compare most unfavorably with other European metropolitan centers which will rise from their war ruins to take advantage of the many great scientific developments which have and will come out of the war.

Briefly we believe that rent ceilings on our properties can in no way be justified, and we sincerely urge that you convey this sentiment to the Senate committee and ask that we be permitted at a later date to submit at greater length further details which we are certain will reveal the fallacy of this proposed legislation.

Sincerely yours,

ROY G. ENGSTROM,
*Vice President, Terminal Tower Co., The Cleveland Terminal*
*Building Co., Prospect Terminals Building Corporation.*



THE UNION COMMERCE BUILDING,
*Cleveland, Ohio, November 29, 1944.*

In re the commercial rent control legislation now pending in the United States Senate.

Mr. GEORGE D. MCGWINN,
*The Cleveland Association of Building Owners & Managers,*
*Cleveland, Ohio.*

DEAR GEORGE: The Union Commerce Building, one of the largest single office and commercial buildings in the United States, was constructed in 1924 and represents an investment of over $18,000,000. This building has approximately 1,000,000 square feet of rentable area of which approximately 700,000 square feet is office space, or approximately 11 percent of the total office space in the city of Cleveland.

Today we have vacant approximately 64,000 square feet of office space in this building and in addition we have an additional 90,000 square feet of office space temporarily occupied by the United States Government whose occupancy will terminate when the war is over.

We do not have knowledge of any tenants seeking office space to meet their immediate needs that would fill more than a small portion of the 64,000 square feet of space available in this building at this time, or would fill any part of the additional 90,000 square feet of space that will some day become available.

In light of this actual present-day situation in this building, and our knowledge of the situation in Cleveland where there is today at least approximately 529,000 square feet of vacant office space, we cannot see the need of rent-control regulation as the law of supply and demand will continue to control as it has in the past any attempts at rental increases that would be exorbitant.

The Union Commerce Building has over 300 tenants in a very diversified list of businesses. A great many of our tenants are presently carrying office space that they are not using and will not be used until after the war is over, and their men that are in service return to their civilian work, indicating that there can be many of the men now in the armed services absorbed into our present occupancy of office space without the need of any expansion.

Since 1926 our average rental rates for occupied office and commercial space, exclusive of the banking area in this building, have been as follows:

| | *Average rate per square foot* | | *Average rate per square foot* |
|---|---|---|---|
| 1926 | $2.94 | 1937 | $2.03 |
| 1927 | 2.84 | 1938 | 1.97 |
| 1928 | 2.87 | 1939 | 1.96 |
| 1932 | 2.67 | 1940 | 1.98 |
| 1933 | 2.39 | 1941 | 1.91 |
| 1934 | 2.12 | 1942 | 1.86 |
| 1935 | 2.07 | 1943 | 1.86 |
| 1936 | 2.06 | 1944 | 1.96 |

The reason for the drop in rental rate in the years 1942 and 1943 is that we rented substantial areas to the United States Government at a lesser rate than was being paid by other tenants and also in some instances they occupied less expensive space which also had a tendency to average down the rental rates.

In the years between 1940 and 1944 the square-foot cost of cleaning, elevator operation, supplies, maintenance of the building, and real-estate taxes, has increased 25 percent. Except for the adjustment of rentals to bring those of our tenants who had been given temporary relief during the pre-war period back to the modified rental schedule that was placed in effect in 1934, there has been very little of this increased operating expense passed on to the tenants as is evidenced by the change in our average square-foot rental rate during this period.

In this building during periods of depression, tenants were given individual consideration in the form of temporary rent relief depending upon how severe said depressions affected individual businesses. This was done in order to help them stay in business and preserve them as tenants. Quite naturally as this relief was only temporary, they, and the building, had the obligation to return to the normal rental rates that other tenants were paying for comparable space.

In light of the information and facts concerning this building and the situation in Cleveland, it is our judgment that there is presently available enough vacant office space in Cleveland to meet the normal business requirements, exclusive of any governmental demands, for the next 4 or 5 years, and by that time

the additional space that will become available through the vacating of the space presently temporarily occupied by the Government will extend that period for an additional number of years. Therefore, rent control legislation as applied to office and commercial space is unnecessary and the interests of the war effort will not be served in any way by its application in this city.

Sincerely yours,

H. E. WELLS, *Vice President.*

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THE WILLIAMSON CO.,

*Cleveland, November 29, 1944.*

Mr. GEORGE D. MCGWINN,
*President, the Cleveland Association of Building Owners & Managers,*
*Cleveland, Ohio.*

DEAR MR. MCGWINN: Trying to state briefly the problems of operating office-building property through the last 20 years with sufficient, intelligible clarity to be understood by one not thoroughly versed in the business is something like trying to arrange the peace of the world in one brief lesson and state the whole procedure on one sheet of paper.

Office buildings, as you know, have been through a very difficult period ever since 1929. In the twenties the buildings generally had good occupancy, at reasonably good rates, and showed a reasonable ratio between income and outgo. Since that time that ratio has gotten out of line because the income has been down. The outgo has been reduced as much as possible, but it has not been possible to reduce it sufficiently to keep the ratio where it should be.

More recently the operating expenses have increased quite appreciably. Wage rates have advanced sharply, and the expenses would show a much higher figure than they do if we were not neglecting both maintenance and operation due to the fact that we are unable to hire the help even at advanced wage rates, to properly maintain and operate the properties.

While tenancy has been tolerant and considerate of these problems, it has not been a satisfactory picture for the operating force, and maintenance has been seriously neglected. The office building business has some characteristics which are not generally appreciated and which should be stated because they are so important to our general picture. First, an office building requires a huge investment which is fixed in steel, brick, and mortar. This structural creation is subject to two important factors which impair its quality. One is the depreciation which comes through wearing out and disintegration, the time-toll factor which is always in work on all materials. The other is obsolescence, the factor of style and custom so important in maintaining the earning quality of the property.

It is well recognized that with some limitations the older property can be maintained almost as attractively as a new property, but in order to do so requires a continuous outlay of substantial sums of money. This money is available only through rental income. The period through which we have been in the last 15 years has been so severe from the standpoint of small net return, if any, that funds for maintaining the property in a first-class condition have not been available.

Since 1941 the Government has put further restraint on this condition by not permitting money to be spent for anything except repairs of a break-down nature. During these latter few years, income has been up primarily because of greater occupancy, so that there has been some improved return after operating expenses are paid, but no ways near what the figures would seem to show because of the neglect of maintenance and the inadequate service which has been rendered. These figures, of course, have created a backlog of work to be undertaken as soon as restrictions on material and labor uses are lifted, but they can still only be undertaken providing the buildings can find the money through rental income sources to do them.

The highly competitive nature of this business, the great variety of ownerships scattered in many different classes of people, the wide variation of the financial status of different properties, and the guiding forces behind those situations are sufficient in themselves to prevent anything like exorbitant rates in office buildings.

There is still a substantial vacancy of space in most cities and overhanging the market are the Government agencies which will be giving up space in substantial quantities at a not very distant date. There is positively no inflation in the business anywhere, I am sure, and there certainly is no need for regulations from the standpoint of injury to the people who need to rent offices.



What has happened to the Williamson Building, the principal property of the Williamson Co., is illustrated in the figures which I submit herewith. I am convinced that these figures are reasonably indicative of the whole general picture in building operation, and we are very happy to have you compare them with other buildings' experiences. This building, built in 1900 on the principal corner in Cleveland—Public Square and Euclid Avenue—designed by George B. Post & Sons, an 18-story structure with 130,000 feet of office space and 24,000 feet of mercantile space, is at this date, 44 years later, a reasonably good development for this important corner.

| Year | Rate per square foot | | Office vacancy | Year | Rate per square foot | | Office vacancy |
|---|---|---|---|---|---|---|---|
| | Occupied offices | Total building | | | Occupied offices | Total building | |
| 1926 | 272 | 244 | 18.0 | 1937 | 164 | 129 | 27.3 |
| 1927 | 265 | 243 | 16.90 | 1938 | | | |
| 1928 | 254 | 242 | 15.05 | 1939 | | | |
| 1932 | 224 | 192 | 23.66 | 1940 | 153 | 124 | 28.17 |
| 1933 | 191 | 140 | 25.53 | 1941 | 160 | 136 | 23.51 |
| 1934 | | | | 1942 | 160 | 140 | 22.05 |
| 1935 | 185 | 109 | 40.5 | 1943 | 165 | 147 | 21.55 |
| 1936 | 170 | 121 | 35.05 | | | | |

In addition, these figures show that office buildings pay from 25 to 35 percent of their income toward the realty taxes which carry the burden of local governmental services, added to which now is the matter of income tax of 40 percent providing there is some net return available, which income tax goes to the Federal Government. It would seem that the opportunity for substantial net return in this business, with the many hazards involved, is so small that it is quite unlikely that organizations of means will soon enter this field to create new office space in the reasonably near future.

The picture is not a good one. The investment in present properties has been made and must be maintained, and will do better without any regulations from outside than it could possibly do under any regulated set-up.

This is the writer's opinion, but an honest one, and I am very happy to supply it.

Cordially yours,

THE WILLIAMSON CO.,
S. M. BUCKINGHAM,
*Managing Agent.*

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THE T. W. GROGAN CO.,
*Cleveland, November 29, 1944.*

Mr. GEO. MCGWINN,
*President, The Cleveland Association of Building Owners and Managers,*
*Cleveland, Ohio.*

DEAR MR. MCGWINN: In response to your request for a report on the various buildings that we operate to be used as supplementary evidence to your letter to the Committee on Banking and Currency of the United States Senate in their consideration of placing rental ceilings on business properties, we submit the following information hastily collected for this purpose:

The enclosed charts[1] show the income, operating expenses, fixed charges and real-estate taxes on three of our prominent downtown buildings. The chart of the Rockefeller Building shows that the property has remained approximately the same since 1939; the rate per square foot has decreased 4 cents per square foot despite the fact that the United States Steel subsidiaries occupy approximately 70 percent of the building and are actively engaged in the war effort, and the other tenants are in lines related to the coal and iron industry. We operate the property for the bondholders and the present market for bonds is approximately 50 cents on the dollar. Whereas the rates in 1938 were $1.67 per square foot per annum, our rate today is $1.64 per square foot per annum.

The Leader Building chart shows less profit in 1944 than in 1938. This building is one of the few successful buildings in this city and although it was constructed in 1914 it has been maintained better than any property of this age in the city of Cleveland. Since the decrease in its rates in the late twenties, it has

[1] Not printed.

had no mortgage obligations but the return to the owners has been less than the income of A grade bonds. The Leader Building office rates in 1938 were $1.63 per square foot. In 1944 they were $1.64 per square foot.

The Hanna Building chart will show the sag in income from 1931, with steady recovery since 1935. Almost all of the increase in income is due to our strenuous rental campaign to fill the vacancies. The rate per square foot in 1938 was $1.46, whereas today it is $1.57. This increase in rate is due almost entirely to the adjustment of substandard rentals which were granted in the depression to help save certain business organizations from liquidation.

These three charts show the picture of the largest buildings we operate. Commercial buildings that our office has handled in the past 5 years which approximate 100, are as a whole in much worse shape than the big three mentioned above. As a matter of fact, we have sold in the past 2 years approximately 50 buildings that we operated and not one of them was sold without a loss to the owner. In the majority of cases, the owner was the mortgage holder who foreclosed for protection. The operation of our organization in the past 20 years has been similar to an undertaking business. Over 90 percent of our business has been acquired from the first mortgageholder whose only desire was to save as much of his investment as possible. The equity holders in almost every instance have lost their entire investment.

Therefore, if rent ceilings are placed on commercial properties at this time, when there is some evidence of recovery, I clearly foresee a repetition of the disastrous results that occurred to our industry in the late twenties and early thirties.

Very truly yours,

T. W. GROGAN, *President.*

## STATEMENT OF WARREN S. MOORE, DIRECTOR, AND REPRESENTATIVE OF DULUTH BUILDING OWNERS AND MANAGERS ASSOCIATION, DULUTH, MINN.

Mr. MOORE. My name is Warren S. Moore.

I appear on behalf of the Duluth Building Owners and Managers Association in opposition to S. 2176. I am a director of our local association. We are unanimous in our opposition to the bill and maintain that, insofar as our community is concerned, which has a number of industries engaged in war production, there is no existing condition which would justify an extension of Government control of commercial rents.

Our association embraces approximately 90 percent of the office space in the city of Duluth, or 400,00 out of 450,000 square feet. Attached hereto I am submitting a schedule showing rents received one eight first-class office buildings for the years 1933, 1938, and 1943. This schedule clearly shows two things: First, that office buildings in our community have not yet recovered their loss of revenue occasioned by the depression and new construction early in 1932; and, second, that there is now a very substantial vacancy in office building space amounting to 22.8 percent. More particularly the total earnings in these eight office buildings after depreciation in 1933 was $31,307, or a little over 1 percent on the invested capital.

In 1938 the total earnings were zero and in 1943 these buildings did not even earn their depreciation. The condition of second-class office buildings in the city is even worse. They have not earned anything in the last 20 years and their vacancy is 24.7 percent.

The United States Government is renting office space in the city of Duluth today for $1 and $1.25 per square foot per year. There is ample room for Government office space required for war industry to expand, if necessary. A 10-percent increase in rents throughout the first-class office buildings would give us a return of only 1.4 percent on invested



capital and there never could be a squeeze on office space with 22.8 percent vacant in eight buildings, or 24.7 percent vacant, if all office buildings were considered; one large centrally located property is 50 percent vacant.

I do not have the complete figures for retail store space with the city of Duluth, but with main retail section of the city comprising 30 business blocks there is a vacancy of 10 percent of the stores, including 50 feet in and 65 feet, respectively, on the second and third best retail blocks in the entire city.

Of course, owners and agents for retail stores would like to increase store rentals. Some are automatically obtaining same by reason of percentage leases. But immediately surrounding the 100 percent retail section the condition of the property from an earnings standpoint is truly distressing, and in this connection I respectfully refer you to schedule II. You will note that in 4 block in West Superior Street rents in 10 locations have decreased 42 percent since 1930 and in 12 locations representative properties along First Street rents have declined, since 1930, 36 percent.

A 25-percent increase in store rentals in either of these sections would occasion no hardship but relieve property owners of certain loss of income and eventually a loss of capital investment if the condition is not soon corrected.

In addition to the above-mentioned available retail and office space, there exists in the city a very substantial amount of loft space suitable for light manufacturing. There are entire buildings available for such, if wanted, some of which have passed to the State and county for nonpayment of taxes, and which space could be occupied for a fraction of its former rent.

Insofar as our area is concerned, there is absolutely no justification for this bill. It will not aid or cheapen the cost of war industry at the head of the lakes one penny. There is utterly no excuse for it and we urge you to spare us the added burden and annoyance of still more reports, more petitions, requests, and the filling of endless forms to no reasonable purpose.

I have a schedule of eight first-class office buildings in the city of Duluth, Minn., representing 30,000 square feet out of a total of 440,000 square feet for the city. In 1933 the rental revenue office space was $397,005, in 1938 it was $395,471, and in 1943 it was $371,815.

The rental revenue store space in 1933 was $117,156, whereas in 1938 it was $116,152, and in 1943 it was $123,337.

The total rents for 1933 were $514,161, 1938 they were $511,623, and in 1943 they were $495,152.

The cost of operating in 1933 was $482,854, and in 1938 it was $511,914, and in 1943 it was $501,771.

The profit in 1933 was $31,307. In 1938 it showed a loss of $291, and in 1943 there was a loss of $6,619.

The percentage of vacant office space in 1933 was 25.8 percent. In 1938 it was 22.5 percent. In 1943 it was 22.8 percent.

With regard to the retail store space in the city of Duluth, Minn., the yearly rent in 16 locations in 4 business blocks in Superior Street from Third Avenue to Fifth Avenue, the yearly rent in 1930 was $73,576.

The yearly rent in 1938 was $43,290, being 58.8 percent of 1930.

The yearly rent in 1943 was $43,116, being 58.6 percent of 1930.

The yearly rent in 12 locations in 8 business blocks in First Street from First Avenue East to Fourth Avenue West, in 1930 was $29,712.

The yearly rent in 1938 was $20,076, which was 67.6 percent of 1930.

The yearly rent in 1943 was $19,020, which was 64 percent of 1930

## STATEMENT OF F. L. GILBERT, PRESIDENT OF THE BUILDING OWNERS AND MANAGERS ASSOCIATION OF PHILADELPHIA

Mr. GILBERT. I am F. L. Gilbert, of the Jackson-Cross Co., managers of the Lincoln-Liberty Building at the northeast corner of Broad and Chestnut Streets, Philadelphia, Pa. I am present at this hearing in the capacity of president of the Building Owners and Managers Association of Philadelphia.

Our association is an organization composed of owners and managers of multistory office, loft and apartment buildings and was organized in 1916. We represent 115 multistory buildings with an assessed valuation of $148,659,560.

On behalf of these buildings we wish to express to you our opposition to Senate bill No. 2176 which bill would amend the Emergency Price Control Act of 1942 to include business accommodations.

Commercial rental conditions in the Philadelphia area, in our opinion, present no justification whatever for governmental regulation. It is our opinion that the natural economic law of supply and demand has been far more effective in stabilizing rentals than any other regulation could possibly do. The clerical work necessitated by any governmental regulation would impose an intolerable burden and expense on buildings already overburdened with high taxes and increased operating costs not to mention the additional expense to the Government in administering same. We feel you should also consider the deplorable condition of the rental market during the period 1932 to 1942. During this period commercial rentals were almost at an all-time low, due to the large vacancy in commercial buildings, and the consequent reaction on rental rates caused by the law of supply and demand.

During this period commercial properties not only did not earn a return on their investment, but in most cases suffered enormous losses, which resulted in foreclosures and bankruptcy proceedings in a large number of buildings. Some of these properties, only because of increased occupancy, have just begun to again see the light of day. Even though a small number of the commercial buildings are now showing a return on their investment, this is partly due to the fact that most commercial properties are operating with anywhere from 75 to 85 percent of their normal force.

This condition gives a false picture with regard to operating costs for when manpower is again available these operating expenses must increase and probably wipe out the small net profit earned. This is particularly true if space occupied by governmental agencies is vacated, thereby again increasing our vacant area and again the law of supply and demand begins to operate.

In Philadelphia we have 10,406,972 square feet of commercial office space. On October 1, 1944, 9,537,470 square feet or 91.65 percent was occupied. Of this amount, 1,114,284 square feet or 10.7 percent of the total area was occupied by the United States Government. These figures reflect a vacant area of 869,502 square feet or 8.35 percent and a potential vacant area of 1,983,786 square feet or 19 percent of the



total area if governmental agencies relinquish space, and very sizable blocks of office space have already been vacated. The vacant area of 869,502 square feet alone is large enough to assure tenants of no substantial increase in office rent, due again to the operation of the fundamental economic laws.

We have just completed our semiannual survey of office rents in Philadelphia which included 44 buildings with a total office rental area of 6,880,732 square feet. The average rate per square foot of office space for those buildings was $1.78. Of the 44 buildings, 4 buildings showed no change in their rates, 16 buildings showed a decrease in rates of an average of 1.8 percent, 24 buildings showed an average increase in rates of 7.3 percent. These percentage increases are based on the rentals paid January 1, 1942, at which time the vacant rentable area in Philadelphia was approximately 2,000,000 square feet or 20 percent.

The average cost of operating a square foot of office rental area in Philadelphia in 1943 was $1.49 per square foot. The mortgage interest and/or return on investment at the rate of 5 percent would increase this cost by $1 or a total of $2.49 per square foot.

Of the 44 buildings included in our recent survey there were only 4 buildings which are receiving an average rate per square foot of $2.50 or more. As you can see there are 40 buildings therefore which cannot earn a proper return on their investment and in most cases are just about earning operating costs and fixed charges.

We also made a survey which covered 14 loft buildings with a rentable area of 2,472,800 square feet. The highest rental rate per square foot in these buildings was 59 cents and the lowest 20 cents.

Two buildings showed a decrease of 1 percent in rental rates over the past 3 years; 12 buildings showed an average increase of 9.3 percent. The highest increase being 20 percent and the lowest 3 percent.

Gentlemen, I believe the foregoing figures and statements prove conclusively that the rental rates for commercial properties in Philadelphia in no way present any inflation problem. We therefore earnestly urge that you base your actions on this bill on general conditions applying to commercial rents and not on a relatively few isolated cases where owners or agents may have taken advantage of peculiar circumstances to increase rents beyond the true value of the properties.

## STATEMENT OF GEORGE A. KUHN, DIRECTOR, BUILDING OWNERS AND MANAGERS ASSOCIATION OF INDIANAPOLIS, INDIANAPOLIS, IND.

Mr. KUHN. My name is George A. Kuhn and I appear here on behalf of the Building Owners and Managers Association of Indianapolis.

It is the opinion of the Building Owners and Managers Association of Indianapolis that business rent control is neither necessary nor desirable on a national basis—certainly not on the basis proposed in Senate bill 2176, for the following reasons:

There is no undue increase in business property rentals over the country. As a matter of fact, business rentals have not been increased in the same proportion as other costs.

It would be impossible to place leases for such varied types of occupancy in one classification as (1) storerooms, downtown and outlying;

(2) office space; (3) loft space; (4) warehousing; (5) industrial; (6) garage; (7) theater; (8) department stores; and (9) automobile sales and service.

Commercial leasing is a highly specialized industry involving variations of such subjects as (1) percentage leases, with all their complexities; (2) long or short term; (3) flat rental or graduated scale; (4) who is to pay the cost of new improvements or alterations; and (5) variation in services to be rendered.

Rentals for business properties do not represent a direct charge against the cost of living and therefore do not affect inflation.

In the main business leases are made for a longer period of time preventing the lessor from replacing his merchandise at a higher or lower cost as the case may be and for that reason business properties cannot be considered as a consumers-goods commodity but must be considered as capital goods not subject to the wide fluctuation nor controls that are applicable to retail trade and other consumer-goods industries.

If it were desirable or even possible the cost of administration would be prohibitive.

Specifically it applies to the rental conditions in office space in Indianapolis; the following statistics are furnished by the B. O. M. A., representing 25 of the larger office buildings in the city. With 19 of the 25 buildings reporting the comparative rates per square foot per annum of occupied space above the first floor, assuming the period 1920–30 as 100 percent, is as follows:

| | *Percent* |
|---|---|
| 1920–30 | 100 |
| 1935–40 | 78 |
| 1941 | 84 |
| 1944 | 89 |

In other words, the price per square foot of office space which is the standard of measurement, is 11 percent less in 1944 than the period of 1920–30 and only 12.8 percent above the depth of the depression and only 5.5 percent above the 1941 price. Certainly no one will argue that the slight increase of 5.5 percent above 1941 levels is exorbitant or even keeping pace with the price trend in general.

Meanwhile, total expenses of office buildings in Indianapolis as shown by the office building exchange reports have increased in 1 year alone from $1.07 to $1.12 per square foot per annum from 1942 to 1943. This increased cost does not tell the whole story, as the item of deferred maintenance over the past few years would average at least 20 cents per square foot. This is work that must abosolutely be done if the properties are not to suffer an unwarranted depreciation and obsolescence.

Investigations, now in process, although they are not quite completed, show the same conditions to exist in rental rates for other business properties. There has been an increase in retail storeroom rentals that are on percentage leases but only in direct proportion to their volume of business and present an increase over starvation—to the lessors—rentals during the depth of the depression where in most cases the guaranteed minimum barely covered fixed charges and the only hope of the lessor was in being able to collect some percentage rental on excess gross sales.



We will gladly furnish the answer to questions that might arise in the minds of any member of the committee with reference to the rental conditions of business occupancies in Indianapolis.

We respectfully suggest that the committee take unfavorable action on the proposed legislation contained in Senate bill 2176.

## STATEMENT OF GEORGE B. SIMMONS, PRESIDENT, BUILDING OWNERS AND MANAGERS ASSOCIATION, BALTIMORE, MD.

Mr. SIMMONS. My name is George B. Simmons. I am president of the Building Owners and Managers Association of Baltimore City, Baltimore.

I respectfully submit the facts regarding rental rates in Baltimore office buildings during the past several years.

The average occupancy of office buildings in Baltimore, as of October 1, 1944, was almost 100 percent—98.91 percent, to be exact—higher, we believe than anywhere in the country with the possible exception of Washington, D. C.

Nevertheless, with an intimate knowledge of the facts, we submit the categorical statement that even under such conditions there has been no unfair increase in office rental rates in Baltimore. As supporting evidence we submit the following data taken from the experience exchange report, published annually by the National Association of Building Owners and Managers from data reported by buildings in cities throughout the United States.

*Office rental income*

| | Per square foot rented | Percentage increase over 1938 | | Per square foot rented | Percentage increase over 1938 |
|---|---|---|---|---|---|
| 1938 | $1.591 | | 1941 | $1.538 | −3.3 |
| 1939 | 1.496 | −6.0 | 1942 | 1.678 | 5.5 |
| 1940 | 1.516 | −4.7 | 1943 | 1.708 | 7.4 |

The aforegoing record shows that a gradual increase in average rental rates had been taking place for a number of years prior to the war, and that this increase was only slightly affected by the increased occupancy resulting from war conditions. Actually, this gradual upward tendency reflects the slow emergence of our whole industry from the extremely unfavorable conditions that afflicted office buildings during the depression of the mid-thirties. Due, as you undoubtedly know, to the carry-over effect of the many leases having terms of several years, any marked change in office-building rates invariably lags, by months or years, behind corresponding changes in general business.

The greater part, therefore, of the increase in rates shown in the above data must be attributed, not to the 1941–43 period, but to the rise in the general economy that had taken place in prior years.

In summary, the facts are that—

1. There has been no attempt in Baltimore office buildings to capitalize on war conditions by general or unjustified rental increases.

2. To place this industry under governmental price control is completely unnecessary, and would serve no real purpose.

3. The effect of such control would be to impose a very real and thoroughly unwarranted hardship on an industry already severely handicapped by lack of personnel, lack of materials for plant maintenance and repair, and sharply increased costs of operation.

The facilities and services rendered both to private business and to Government by the office building industry are obviously vital to the war effort; nevertheless, the industry has not been rated as "essential" in such matters as employment of personnel, and the resulting difficulties in operation have been very great. In Baltimore we feel that we have made a sincere effort to contribute to the national interest, and we trust that our job will not be made even more complex by unnecessary supervision.

We have made this statement as brief as possible. We shall be glad, however, to elaborate on any phase of the situation and to submit any further data that you would like to have.

## STATEMENT OF M. C. STANLEY, PRESIDENT, AKRON ASSOCIATION OF BUILDING OWNERS AND MANAGERS, AKRON, OHIO

Mr. STANLEY. I am M. C. Stanley, of Akron, Ohio, representing the Akron Association of Building Owners and Managers.

Akron accredited with being the center of the rubber industry ranks high in the list of vital war material producers, and is also listed among the top most critical labor shortage areas. Normal population of the city is 250,000. This figure has increased to over 300,000 since 1941.

In the buildings represented by our association, ground-floor or storeroom space has been 100 percent occupied over the past 3 years. During the same period of time, the office area occupancy has increased to 96.6 percent.

Office area rentals from September 1941 to September 1944 have been increased on an average of approximately 6 percent, some buildings reporting increases of 2½ percent, and others up to 8 percent, depending on their location in the downtown business district. These are not blanket increases. They represent a stabilization of rental rates to those tenants whose rent had been reduced during the 1930's. The percentage of increase as indicated above does not bring the rents up to where they were prior to the depression period.

The majority of ground-floor rentals are based on percentage of sales. Any increases to these tenants are due to the substantial increases in the retail sales of the tenant. In no instance has the rental percentage to these tenants been increased. To the contrary, in three specific cases where the rental rate percentage was inequitable, it was voluntarily reduced.

We, as a group, are opposed to Senate bill S. 2176. We believe that the legislation proposed is unnecessary and will not benefit any substantial number of people.

## STATEMENT OF F. POCHE WAGUESPACK, REPRESENTING NEW ORLEANS ASSOCIATION OF BUILDING OWNERS AND MANAGERS, INC., AND REAL ESTATE BOARD OF NEW ORLEANS, INC.

Mr. WAGUESPACK. I am here on behalf of the New Orleans Association of Building Owners and Managers, Inc., an organization whose members are comprised of all of the larger office building owners and managers and the great majority of the smaller office-building owners and managers.



I also appear as representing the Real Estate Board of New Orleans, Inc., whose members are composed of practically 100 percent of all licensed brokers in New Orleans.

We are opposed to Senate bill No. 2176.

This matter has been before this committe on a previous occasion, and many facts and figures have been presented at this previous hearing and at the present hearing by many of my colleagues. It is not my intention, therefore, to clutter up the record with an endless repetition of the same facts and figures.

When it was called to the attention of the New Orleans Association of Building Owners and Managers, Inc., some 10 days ago that this hearing would be held on November 30 and December 1, they immediately asked all of its members to report the latest information as to present rentals in their respective properties.

All of the properties reported that their present rentals did not exceed previously established rentals, rentals that had been established prior to Pearl Harbor. There was only one exception. This building reported present rentals at 6 and a fraction percent above previously established rentals.

The Real Estate Board of New Orleans, which is one of the oldest boards in the country, also desires to report that the rentals of stores and other properties in New Orleans today are not, percentagewise, any greater than they were 2 and 3 years ago. This, of course, would not apply to percentage leases.

We are opposed to Senate bill No. 2176, because we do not believe it is necessary and because we have all experienced the tremendous amount of detail necessary in connection with O. P. A.'s freezing of residential rents, and we realize that an attempt to freeze commercial rents would entail endless problems because of the many different types and conditions which prevail in the commercial rental field.

I desire to submit for the consideration of the committee some letters and extracts from minutes of a meeting of the executive committee, which I believe will be of interest.

(The documents referred to follow:)

REAL ESTATE BOARD OF NEW ORLEANS, INC.,
*New Orleans, La., November 28, 1944.*

Extract from the minutes of a meeting of the executive committee of the Real Estate Board of New Orleans, Inc., held this day, a quorum being present.

It was moved, duly seconded, and carried that the Real Estate Board of New Orleans, Inc., go on record as being opposed to Senate bill No. 2176, freezing rents on business accommodations, and that Mr. F. Poche Waguespack be authorized to represent this board at a hearing on this bill.

A true copy.

[SEAL]

ROBT. J. PALFREY,
*Executive Secretary.*

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NEW ORLEANS ASSOCIATION OF BUILDING OWNERS AND MANAGERS, INC.,
*New Orleans, La., November 28, 1944.*

1. Building: Baronne Building.

2. Rental area: Stores, 3,465 square feet; offices, 25,965 square feet; total, 29,430 square feet.

3. Do you have an established rate for office space? Yes. When was this rate established? About July 1943. How does this rate compare with your present rate? Same. How much percent increase? —.

4. Do you have an established rate for store space? No. When was this rate established? — How does this rate compare with your present rate? — How much percent? —.

5. What is your established scheduled average over-all rate for office space? $1.65 per square foot per annum.

6. What is average rate for space now under lease? $1.62 per square foot per annum.

7. Have you made any leases for space above-scheduled rate since January 1, 1943? Yes. If so, what area? 3,733 square feet; increase, about 8 percent.

LEO FELLMAN & Co.,
*Agents for Baronne Building.*
By P. MALOCHEE.

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NEW ORLEANS, *November 27, 1944.*

1. Building: Pere Marquette Building.

2. Rental area: stores, 24,096 square feet; officers, 108,462 square feet; total, 132,558 square feet.

3. Do you have an established rate for office space? Yes. When was this rate established? 1933. How does this rate compare with your present rate? Same. How much percent increase? None.

4. Do you have an established rate for store space? Yes. When was this rate established? 1933. How does this rate compare with your present rate? Same. How much percent? None.

5. What is your established scheduled average over-all rate for office space? $1.91 per square foot per annum.

6. What is average rate for space now under lease? $1.86 per square foot per annum.

7. Have you made any leases for space above-scheduled rate since January 1, 1942? No. If so, what area — square feet; increase — percent.

MAISON OWEN, *Manager.*

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NEW ORLEANS, *November 27, 1944.*

1. Building: Maison Blanche Building.

2. Rental area: Stores, 283,000 square feet; office, 115,378 square feet; total, 398,378 square feet.

3. Do you have an established rate for office space? Yes. When was this rate established? 1941. How does this rate compare with your present rate? Same. How much percent increase? None.

4. Do you have an established rate for store space? Yes. When was this rate established? 1933. How does this rate compare with your present rate? Same. How much percent? None.

5. What is your established scheduled average over-all rate for office space? $—per square foot per annum.

6. What is average rate for space now under lease? $— per square foot per annum.

7. Have you made any leases for space above-scheduled rate since January 1, 1942? No. If so, what area — square feet increase — percent.

VICTOR J. GROS, *Manager.*

NEW ORLEANS, *November 27, 1944.*

1. Building: Audubon Building.

2. Rental area: Stores or bank, 15,000 square feet; offices, 62,559 square feet; total, 77,559 square feet.

3. Do you have an established rate for office space? Yes. When was this rate established? 1942. How does this rate compare with your present rate? Same. How much percent increase? —

4. Do you have an established rate for store space? All on long term percentage leases. When was this rate established? — How does this rate compare with your present rate? — How much percent? —

5. What is your established scheduled average over-all rate for office space? Approximately $2 per square foot per annum.

6. What is average rate for space now under lease? Approximately $2 per square foot per annum.

7. Have you made any leases for space above-scheduled rate since January 1, 1942. No. If so, what area — square feet increase — percent.



NEW ORLEANS, *November 27, 1944.*

1. Building: Richards.

2. Rental area: Stores or bank, 10,630 square feet; offices, 108,841 square feet; total, 119,471 square feet.

3. Do you have an established rate for office space? Yes. When was this rate established? In 1940. How does this rate compare with your present rate? — How much percent increase? Six and four-tenths. Our present rate is 6.4 percent higher.

4. Do you have an established rate for store space? Yes. When was this rate established? In 1940. How does this rate compare with your present rate? — How much—percent—. Our present rate is 6.47 percent higher.

5. What is your established scheduled average over-all rate for office space? $—per square foot per annum.

6. What is average rate for space now under lease? $—per square foot per annum.

7. Have you made any leases for space above scheduled rate since January 1, 1942? — If so, what area—square feet increase—percent. No. 7 will be answered later.

WAGUESPACK, PRATT, INC.,
*Agents.*
W. J. VILLARRUBIA.

NEW ORLEANS, *November 27, 1944.*

1. Building: International.

2. Rental area: Stores or bank, none; offices; total.

3. Do you have an established rate for office space? Yes. When was this rate established? 1938. How does this rate compare with your present rate? Same. How much percent increase? None.

4. Do you have an established rate for store space? None. When was this rate established? — How does this rate compare with your present rate? — How much — percent —?

5. What is your established scheduled average over-all rate for office space? $1.35 per square foot per annum.

6. What is average rate for space now under lease? $1.35 per square foot per annum.

7. Have you made any leases for space above scheduled rate since January 1, 1942? No. If so, what area — square feet?

T. H. LYNCH.

NEW ORLEANS, *November 27, 1944.*

1. Building: Hibernia Bank Building.

2. Rental area: Stores or bank, 32,596 square feet; offices, 139,926 square feet; total, 172,522 square feet.

3. Do you have an established rate for office space? Yes. When was this rate established? October 1933. How does this rate compare with your present rate? Same. How much — percent increase?

4. Do you have an established rate for store space? No stores. When was this rate established? — How does this rate compare with your present rate? — How much — percent —.

5. What is your established scheduled average over-all rate for office space? $2.12 per square foot per annum.

6. What is average rate for space now under lease? $2.07 per square foot per annum.

7. Have you made any leases for space above scheduled rate since January 1, 1942? Yes. If so, what area: 5,854 square feet; increase, 2 to 11 percent.

———— ————, *Manager.*

NEW ORLEANS, *November 28, 1944.*

1. Building: American Bank Building.

2. Rental area: Stores or bank, 17,564 square feet; offices, 105,315 square feet; total, 122,879 square feet.

3. Do you have an established rate for office space? — When was this rate established? — How does this rate compare with your present rate? — How much — percent increase?

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4. Do you have an established rate for store space? — When was this rate established? — How does this rate compare with your present rate? — How much — percent —.

5. What is your established scheduled average over-all rate for office space? $ — per square foot per annum.

6. What is average rate for space now under lease? — per square foot per annum.

7. Have you made any leases for space above-scheduled rate since January 1, 1942? — If so, what area — square feet; increase — percent.

NOTE.—Our present rates do not exceed our scheduled rates of 1933.

AMERICAN BANK BUILDING,
By F. P. ————
NEW ORLEANS, *November 27, 1944.*

1. Building: Canal.

2. Rental area: Bank, 65,908 square feet; offices, 264,534 square feet; total, 330,514 square feet.

3. Do you have an established rate for office space? Yes. When was this rate established? 1938. How does this rate compare with your present rate? Same. How much percent increase? None.

4. Do you have an established rate for store space? No stores. When was this rate established? — How does this rate compare with your present rate? — How much — percent —.

5. What is your established scheduled average over-all rate for office space? $2.24 per square foot per annum.

6. What is average rate for space now under lease? $2.03 per square foot per annum.

7. Have you made any leases for space above scheduled rate since January 1, 1942? No. If so, what area? —. square feet; increase — percent.

J. H. LYNCH.

## STATEMENT OF F. T. TROHAUGH, PRESIDENT, BUILDING OWNERS AND MANAGERS ASSOCIATION OF PITTSBURGH, PITTSBURGH, PA.

Mr. TROHAUGH. My name is F. T. Trohaugh. I am president of the Building Owners and Managers Association of Pittsburgh, located in the Jenkins Arcade Building, Pittsburgh, Pa.

I should like to give you a report on commercial real-estate conditions in Pittsburgh, Pa.

A recent survey of rental conditions in the downtown area of Pittsburgh indicates that, with the exception of the so-called 100-percent block on Fifth Avenue, the rentals are exactly one-half of the rentals received in 1929–30.

For example, on Smithfield Street between Fourth Avenue and Sixth Avenue, the rentals for stores in 1929–30 for 20- and 21-foot fronts were $13,000 and $14,000 per year, as compared with present-day rentals of $6,000 per year for the same frontage.

Incidentally, the real-estate taxes are $5,500 per year for 20-foot frontage. The survey indicates that the real-estate taxes approximate 71 percent of the rental received.

This same condition exists on other principal downtown streets, such as Wood Street and Liberty Avenue, where in 1929–30 rentals were $13,000 per year for 20-foot fronts as compared with present-day rentals of $5,500 to $6,000, with taxes ranging from $4,500 to $5,100.

In the "hard-goods district" on Second Avenue, Third Avenue, and Lower Wood Street, many storerooms and buildings are vacant. For example, the first floor and second floor of the Hartje Building, Second Avenue and Wood Street, formerly occupied by a plumbing supply concern has been vacant since May 1941. They were forced out of business due to shortage of materials. Owners have been unable to rent space since, as many suppliers of electrical and plumbing materials have been forced out of business.



In the automobile section on Baum Boulevard, many buildings have been vacant since the war started.

A typical example is the Jenkins Arcade Building, which has a vacancy of 14 percent. Most of the vacancy is due to the great number of physicians and dentists who have gone into the service.

In most cases, space is being held for their return, without any charge. After war was declared, many tenants engaged in such businesses as metal kitchen cabinets, corsets and undergarments, merchant tailors, specialty shoe shops, which were located on the second and third floors, were forced out of business and the space has remained vacant—thus contributing to the 14-percent vacancy in this particular building.

Rental increases in office buildings have been very moderate, and not in keeping with the increase in operating costs.

For example, in the Jenkins Arcade Building, 10-percent reductions in rentals were made in 1931 and 1932. Last May 1944 an attempt was made to restore at least one of the 10-percent reductions. In spite of the increased earnings of professional men, the management was successful in restoring only 8 percent.

It has been alleged that real-estate owners are receiving excessive rentals on their properties. If this were true, the income of the property would reflect in the selling price. We list below a list of property sales which have taken place recently. It will be noted that in every case, the selling price was from 17 to 74 percent of the city assessment, on which real-estate taxes are based:

100 Fifth Avenue: Sold March 14, 1942—receiver of Diamond National Bank to Pitt National Bank. Land 98 by 120 by 40 by 79 by 63 feet. Area approximately 10,000 square feet land. Eleven-story brick and steel office building. Sold for $190,000. City land and building assessment, $854,200. Selling price is 22.2 percent of city assessment.

Grant Street and Sixth Avenue: Sold July 1, 1943, at $150,000. Peoples-Pittsburgh Trust Co. to First Federal Savings and Loan Association. Lot 94 by 60 by 18 feet. Improved with 10-story brick office building. City land and building assessment, $215,200. Selling price 70 percent of assessment.

337 Fourth Avenue: Sold December 10, 1943, for $50,000. Union Trust Co. of Pittsburgh to Westinghouse Electric & Manufacturing Co. Lot 45 by 120 feet. Two-story stone and brick bank building. Land and building assessment, $145,450. Selling price 34 percent of assessment.

323 Fourth Avenue: Sold September 1, 1941. Price $115,000. Lot 60 by 120. Ten-story stone office building. City land and building assessment, $255,750. Selling price 44 percent of city assessment.

324–328 Diamond Street: Sold May 25, 1942. Metropolitan Life Insurance Co. to John A. Barry. Lot 60 by 120 feet. Two-story brick building. Sold for $181,000. City land and building assessment, $298,110. Selling price 60.7 percent of city assessment.

333 Fourth Avenue: January 23, 1940. Charles W. Cratsley to Keystone National Bank. Lot 29.75 by 120.67 feet. Three-story brick and stone bank building. Sold for $35,300. City land and building assessment, $111,190. Selling price 31.7 percent of city assessment.

643–647 Liberty Avenue: Sold August 15, 1941. S. W. Rubin to M. Frank, Lot 60 by 88 feet. Improvements, 18-story brick office building. Selling price, $275,000. City land and building assessment, $614,970. Selling price 44.7 percent of city assessment.

Wood Street and Fourth Avenue: Sold May 12, 1941. Andrew Berger to M. A. Eberhardt. Land approximately 43,386 square feet. Heart of banking district. Improvements consist of 10-story brick office building and one bank building. Sold for $132,000. City land and building assessment, $899,940. Selling price 14.7 percent of city assessment.

The above selling prices do not indicate a real-estate boom. Since 1929–30 there has been a considerable reduction in rentals, approximately one-half, but real-estate taxes have stayed at the top.

Senator TAFT. Whom do we have next?

The CHAIRMAN. Mr. Salmon has asked to be heard.

## STATEMENT OF WALTER J. SALMON, REAL ESTATE OWNER AND BUILDING OPERATOR, NEW YORK CITY, N. Y.

Mr. SALMON. My name is Walter J. Salmon. Senator, I have here an official copy of the minutes of the legislative investigation that was held October 5. This is the official stenographer's report that I would like to file with your committee for your information.

Senator TAFT. What legislature?

Mr. SALMON. This is a hearing begore the joint legislative committee to inquire into and study commercial rents in New York City, more commonly known as the Stephens committee.

Senator TAFT. May I see that?

Mr. SALMON. Certainly.

The CHAIRMAN. You were going to say something about office buildings?

Mr. SALMON. Yes, Senator Wagner. And all I want to say is this, if this committee finally decides that they want to put in manufacturing in a defense area, under the O. P. A., then I would like to give you a definition of this matter so it would not include office buildings, and I would like to read this definition.

> This act shall apply to buildings which are arranged, intended, designed or used for manufacturing purposes and where 50 percent or more of the total floor area is aranged, intended, designed or used for manufacturing, or handling of goods manufactured on the premises, or for storage, show or display of goods manufactured on the premises.

Now, Senator Taft asked whether there was any way of determining a fair and reasonable amount. Senator Wagner, you will remember that in and during the period of about 1920, the law with regard to leasing was held as constitutional by you, and there was clause in there that said you had a right to go to court and fix a fair and reasonable rent.

The CHAIRMAN. Yes.

Mr. SALMON. We are getting discouraged even before the legislature meets in January, when they will come to the matter of passing legislation, we say they are not going to pass legislation, that is to say, it is being stated here, and I do not believe with any proper basis, that would give the tenant and the landlord both the right to appeal to the court, the tenant to pay the rent into the court pending decision,



that was what was done before, and I do not see why something could not be done now which would be just as reasonable.

Senator TAFT. Do you mean now, or was done before?

Mr. SALMON. That was what was done. I think it is too soon to get discouraged as to what the legislature will do now.

The CHAIRMAN. Of course, the judge only decides whether the amount set is reasonable. He does not try to attempt to fix the actual amount.

Mr. SALMON. That is correct.

The CHAIRMAN. But it amounted to fixing because if he held it was unreasonable they had to reduce it.

Mr. SALMON. It worked out very well, Senator, you will remember.

The CHAIRMAN. Yes.

Mr. SALMON. And that was, Senator Taft, if I may say this to you, something that you seemed to me to be inquiring about, namely, whether there was a possibility of accomplishment, or whether this thing could be done because by the rule of rote you cannot fix it. I am not by myself in this, because one man may have a 10-year lease and the man next to him may have a 10-year lease that has run 5 years, and has 5 years more to go, and the man next to him may have a much lower rent. There is no equality or uniformity about it.

Now, if they both would be frozen, that would be entirely unjust and unfair.

Moreover, I do not think, as I have said before, I do not think that the legislature does not intend to do anything in the State of New York. I think that is an unwarranted conclusion.

You will know, Senator, as a New York lawyer, that emergency legislation could not be passed without there is an investigation which you must have, and you know that it would be declared unconstitutional, even if you say it is an emergency that exists, and therefore we pass a law.

So when these bills were introduced last spring there had been no investigation, and if one of these bills, which provides for a fair and reasonable amount above 15 percent, now it seems to me that is getting somewhere.

Now, people come down here in a great rush, and I do not see the need for this great rush except they want to freeze the rents. Now, if they will wait until the legislature in New York meets and in good faith decide something, I think they will get relief. But this is an attempt to forestall legislation about to be introduced in the New York State Legislature, by bringing about a freeze here. I say that is anticipatory legislation which I think you have time enough to decide on after the session of the New York Legislature takes place.

There has been no delay; there has been no delay in the New York State Legislature.

For instance, in the past, we have had moratorium legislation, moratorium legislation that is unique, and it has been held constitutional.

Then we have had deficiency judgments legislation which has been unique, and it has been held constitutional.

I do not think New York State has been backward in giving relief either to the mortgagor or the tenant or anybody when you give them an opportunity to fairly study the matter.

That is all I have to say.

I will leave you this transcript of testimony, because I think that you may want to make use of it and the record will have it at your convenience.

Also, as to this matter of the definition, I would like to leave that in the record here, as I have read it to you, because if you do intend to do that, I think that it should not cover stores or office buildings.

The CHAIRMAN. We have had a good deal of evidence on loft buildings.

Mr. SALMON. What is that, Senator?

The CHAIRMAN. We have had a good deal of evidence on loft buildings.

Mr. SALMON. I do not think we have had any evidence in the record covering stores or office buildings that would justify putting them in, I mean. Therefore, outside of loft buildings, if there is no reason why you should put in the office buildings you might put this definition in your bill, because office buildings and store buildings have been put in your bill as a general catch-all.

The CHAIRMAN. I understand your point.

Mr. SALMON. And that would include office buildings.

The CHAIRMAN. I think the committee understands that perfectly. Thank you very much.

(The document referred to is filed with the committee.)

## STATEMENT OF LEO J. McDERMOTT, DIRECTOR OF RESEARCH, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC., NEW YORK, N. Y.

Mr. McDERMOTT. Mr. Chairman and members of the committee:

My name is Leo J. McDermott, I am director of research, Commerce and Industry Association of New York, Inc.

The CHAIRMAN. Mr. McDermott, you are discussing also office buildings, are you not?

Mr. McDERMOTT. I will try to discuss both aspects, both some of the loft building aspects and some of the office building situation.

The CHAIRMAN. We have had a lot of testimony in regard to office buildings.

Mr. McDERMOTT. I will make it very brief.

The CHAIRMAN. I do not want to limit you, but I want you to understand that we have had a great deal of testimony in that regard.

Mr. McDERMOTT. I am not going to repeat anything if possible.

I want to deal more with some of the general things, and what has happened in the last legislature, and what we want to do in the future.

The CHAIRMAN. Proceed.

Mr. McDERMOTT. I appear on behalf of the Commerce and Industry Association of New York, Inc., the largest organization in the metropolitan area devoted to the interests of commerce and industry and dedicated to the promotion of the welfare of the city of New York, with a membership consisting of approximately 4,000 members engaged in all lines of business and commerce in the city of New York and the metropolitan area.

Our association is opposed to the proposal to amend the Emergency Price Control Act of 1942, as amended, with respect to the control of rents for business accommodations, as provided in Senate bill 2175.



The bill before you seeks to amend sections 2, 4, 202, and 205 of the Emergency Price Control Act by adding thereto the words "business accommodations" after the term "defense-area housing accommodations," wherever that term appears in those sections.

In addition, the proposed law seeks to amend section 302 of the Emergency Price Control Act of 1942, as amended, by adding a new subsection as shown on page 2, lines 13 to 18, which reads as follows:

> The term "business accommodations" means any building structure, or part thereof, or land appurtenant thereto, or any other real or personal property rented or offered for rent for business purposes, together with all privileges, services, furnishings, furniture, and facilities connected with the use or occupancy of such property.

This definition of what constitutes "business accommodations" is extremely broad and goes beyond any suggestion heretofore made in regard to the control or freezing of commercial rents.

The proposed bill, if enacted into law, would place the control of all rentals of commercial property, including the leases and rentals and revenues of all properties of the city of New York, such as the piers and water front, and all privately owned property under the Office of Price Administration.

This means that the basic source of taxes and revenues upon which the city of New York relies to meet the cost of operating the government of the city will be under the domination and control of the Office of Price Administration.

At the present time changes in the zoning requirements are under consideration which will reduce substantially the area and height of buildings which may hereafter be constructed for business and commercial purposes. The effect of these proposals unquestionably will mean higher rentals for new accommodations for which many plans have been filed for construction as soon as Government restrictions are lifted.

If the proposed bill should become law it will require a huge increase in the administrative staff of the O. P. A. and a large increase in the regional administrative force to handle the vast amount of detail in supervising the control proposed in this bill over properties valued for tax purposes at more than $10,000,000,000 in New York City alone. The proposal will, beyond doubt, tend to depreciate the marketability and investment of the finest property in the world.

I say that because if we are going to leave the return from that property in the hands of those who have no personal interest or concern and without any regard to the owners, without any regard to the revenue required in order to meet the needs of that property, people will not invest money in real estate if they can get some other place to place it.

It will impair the safety of the funds of more than 6,000,000 savings-bank depositors in the State of New York and will affect the meager returns they now receive upon their savings invested, to a large extent, in mortgages on real estate in New York alone. The proposed bill will also tend to impair the policyholders' funds now invested by many insurance companies in real estate and mortgages upon real estate.

For 10 years following the business depression, which became evident to all of us in 1932, real estate in New York City suffered severely. During that time many owners were compelled to surrender their

equities and lost their properties to the mortgagees because vacancies increased and, in many instances, rentals were substantially reduced, resulting in inability to meet taxes, maintenance charges, and the fixed charges upon the capital investment. Statistics show that in the Borough of Manhattan alone almost 9,000 properties were foreclosed in this period with a total value of over a billion dollars.

During the past 2 years there has been a gradual recovery from the effects of vacancies and lowered rents that prevailed during the previous 10 years, but a very large amount of property is still in the process of reorganization and is in the hands of trustees appointed by the courts. The improvement in real estate is due to greater occupancy and, in some instances, to better rentals brought about by the vast improvement in normal business conditions.

However, gross rentals in structures devoted to offices are still approximately 40 percent below the level prevailing in 1931, while in loft buildings and other commercial properties gross rentals, which dropped approximately 40 percent between 1930 and 1935, have regained some of the losses but are still approximately 20 percent below the 1930 level.

The CHAIRMAN. These are loft buildings you are speaking of there?

Mr. MCDERMOTT. Loft buildings.

Operating costs, however, have increased 14 percent above the 1930 level, leaving an increased gap between the improvement in gross rentals and operating costs of 32 percent.

The situation in regard to the labor costs in this type of building has become a serious one. Labor costs of operation have increased 111 percent over the 1930 level, while gross rentals are still approximately 20 percent below the 1930 level.

The agitation to freeze or control the rents of commercial properties in New York first manifested itself in the introduction of three bills in the New York State Legislature in the early part of 1944, namely, the Steingut bill (Assembly Introductory 1324, Print 1457), the Lamula bill (Assembly Introductory 1463) and another bill by the same gentleman (Assembly Introductory 865). The bills were referred to three different committees of the Legislature.

The Codes Committee of the New York State Legislature held an extended public hearing on the Steingut bill on February 29, 1944. The hearing did disclose some instances of what appeared on the surface to be substantial rent increases in a very limited area in Manhattan, but no instances in any other parts of the city.

The New York City Committee, to which the Lamula bill (Assembly Introductory 1463) had been referred, reported out this bill without holding any public hearing although one was requested.

The whole question of the rent situation, in so far as commercial properties were concerned, was fully discussed before the Legislature of the State of New York. The evidence presented at that time failed to disclose a situation that would warrant the freezing of rents in New York City.

I might say here that the association which I represent objected to the legislation that was introduced in the New York State Legislature and we put our protest in writing in addition to what we had to say at the public hearing and I want to read here what was said about that legislation. If there is any such thing as shotgun legislation



that was shotgun legislation that undertook to deny to an owner the right to present in court evidence that would sustain what he was asking as a rental. It fixed an arbitrary standard which we thought was absolutely wrong, especially, for the State of New York to do, in view of the vast amount of money invested in real estate in New York.

Hon. BENJAMIN F. FEINBERG,
*Senate Chamber, Albany, N. Y.*

MY DEAR SENATOR: The Commerce and Industry Association of New York, Inc., is greatly concerned about the bill introduced in the assembly by Mr. Lamula, of New York, introductory 1463, print 1624, "An act in relation to stabilization of rents in certain cities of the State, and to defenses in actions based upon unjust, unreasonable, and oppressive rents, or agreements for rents, or premises occupied for commercial purposes."

This bill was reported out of the committee on city of New York on February 29, 1944, without any opportunity being afforded to those interested and affected by this bill to be heard despite the fact that this organization, under date of February 25, addressed a letter to the Honorable Robert J. Crews, chairman of the committee, calling attention to the fact that two other bills similar in nature and covering the same subject had been introduced in the assembly and were pending before other committees, to wit: The Steingut bill (Assembly Introductory 1324) referred to the Codes Committee, and the Lamula bill (Assembly Introductory 865) referred to the Judiciary Committee, and urging him to hold a hearing jointly with the other committees considering such bills.

However, at the very time that the assembly codes committee was holding a hearing on the Steingut bill on February 29 the City Committee reported out the Lamula bill (Assembly Introductory 1463), which is restricted in its application to "cities having a population of 1,000,000 or more," which would limit its application, as a practical matter, to the city of New York.

The alleged purpose of this bill is to prevent unjust, unreasonable, and oppressive agreements for the payment of rent for commercial premises. The bill further alleges that a public emergency exists under prevailing conditions accelerated by the present war.

The proposed law sets up the "established rent," which means "the rent charged on March first, nineteen hundred forty-three," as the standard by which "all rents and rental agreements therefor of premises occupied for commercial purposes * * *" shall be measured.

The proposed law further provides that any rental agreements "in excess of the established rent therefor shall hereafter during the emergency period be deemed unjust, unreasonable and oppressive and the same shall be unenforceable except as provided in this act."

The proposed law also provides in section 6: "Where it appears that the demand is for rent, the rate of which has been increased over the established rent, such demand and such agreement shall be presumptively unjust, unreasonable, and oppressive."

Section 7 of the bill states: "Nothing herein contained shall prevent the plaintiff from pleading and proving in such action a fair and reasonable rent for the premises and recovering judgment therefor; * * * the plaintiff shall not be permitted to recover the amount of any increase in rent * * * in excess of the established rent for the same premises * * *" except under certain circumstances, and in any event the increase is limited to 10 percent of the established rent.

The proposed law restricts the evidence that may be submitted in a proceeding to recover rent by providing: "No determination of market value of reasonableness of rent pursuant to this section shall be admissible as evidence in any action or proceeding * * *."

We believe that this is the most pernicious type of legislation that could be placed upon the statute books of this State because, in effect, it denies to property the right to prove what is a fair and reasonable value of the premises in litigation and prevents the introduction of testimony that would show the fair and reasonable value of the premises based upon its cost, the investment in the property, the fixed charges that must be met for interest and operating costs, and the taxes which must be paid to the local government, and a fair and reasonable return upon the investment.

Real property in New York City is just beginning to recover from the effects of vacancies and loss of rents during the depression of the last 10 years. A huge

amount of this property is still in process of reorganization and is in the hands of trustees appointed by the courts.

Recent statistics show that the mutual savings banks in this State own 8,900 parcels valued at over $150,000,000, and that these institutions have over $2,800,000,000 of depositors' money invested in mortgages on real estate.

In addition, the insurance companies hold millions of dollars worth of this real estate acquired because the revenues from the properties were insufficient to meet the fixed charges and pay the interest on the mortgages.

Private investors hold properties worth fabulous sums of money which are paying, in many instances, no return upon the investments.

The meager returns from these investments is the principal reason for the reduced dividends that are being received by 6,258,000 depositors in our savings banks, and the reduced dividends which millions of policyholders are receiving upon their investments in life insurance.

It is almost unbelievable that legislation of this character, which would deny a fair and reasonable return upon investment; could get as far as this legislation has gotten in the legislature of this State, which has always prided itself upon the fairness and equitable nature of its laws.

We do not believe that any emergency exists in the city of New York that warrants the enactment of such unfair, unreasonable, and unjust legislation, and we respectfully urge you to take all the steps that may be necessary to bring about the defeat of this and similar legislation.

Sincerely yours,

THOMAS JEFFERSON MILEY,
*Secretary.*

We felt that that kind of legislation was certainly highly improper to impose in the State of New York in view of the suffering and anguish which real-estate mortgageholders went through during a 10-year period.

In addition to that, we have got to bear in mind that we still have a moratorium on mortgages in New York City. The legislature at the last session reenacted the moratorium. You cannot foreclose a mortgage except you are in default of taxes and so forth; you merely have to pay off 2 percent rather than the 1 percent that prevailed heretofore. So there is no free market. We thought that was not the kind of legislation tha should have gone into effect.

The result was that after a full and fair discussion before a legislative committee in New York State it was determined to do something to make the State body see that if here was real cause in New York City the legislature would have all the facts, because up to that time there was nothing but the most general of generalities in regard to rent increases, giving you no record, no information, no details that would give you a fair basis on which you could measure whether there was any real justification for the complaints or not.

So that a joint legislative committee was created to inquire into excessive rentals for loft properties in the city of New York or premises used for commercial purposes.

I would like to place in the record a copy of the resolution creating the joint legislative committee and outlining its powers and duties:

MARCH 18, 1944.

[From the Legislative Index Co., Albany, N. Y.]

RESOLUTION IN ASSEMBLY

(By Mr. Stephens)

Whereas there is some question whether unjust, unreasonable, and oppressive agreements for the payment of rent for commercial premises have been and are now being exacted by landlords from tenants under stress of prevailing conditions accelerated by the present war, whereby the freedom of contract has been impaired, and conditions resulting therefrom have seriously and dangerously affected the public interest in cities having a population of one million or more, and a public emergency exists in the judgment of the legislature by reason thereof: Therefore be it

*Resolved (if the Senate concur)*, That a joint legislative committee be and is hereby created with full power and authority to inquire into and to investigate—

(a) All rents and rental agreements of premises occupied for commercial purposes in cities having a population of one million or more;

(b) The extent to which rents exacted by landlords for tenants are unjust, unreasonable, and oppressive;

(c) Whether or not under stress of prevailing conditions the freedom of contract has been impaired; and

(d) To what extent the public interest is endangered; and be it further

*Resolved (if the Senate concur)*, That such committee consist of three members of the Senate to be appointed by the temporary president of the Senate and five members of the Assembly to be appointed by the Speaker of the Assembly; that the members of the committee shall receive no additional compensation for their services but shall be reimbursed for their expenses actually and necessarily incurred by them in the performance of their duties hereunder; and be it further

*Resolved (if the Senate concur)*, That such committee shall choose from its members a chairman, vice chairman, and a secretary and shall employ counsel and such other assistants as may be necessary for the performance of the work of the committee, and fix the compensation of such employees within the amount provided therefor; and be it further

*Resolved (if the Senate concur)*, That such committee or a subcommittee may sit and hold hearings in any part of the State; and that such committee and each member thereof have power to administer oaths, take testimony, subpena and compel the attendance of witnesses, and the production of such books, papers, records, documents, and other instruments as may be pertinent to the subject of its inquiry, and have generally all the powers of a legislative committee as provided in the legislative law; and be it further

*Resolved (if the Senate concur)*, That such committee shall report its findings to the legislature on or before March 1, 1945, and shall submit along with such report such draft or drafts of legislation, if any, as are necessary or appropriate to effectually carry out its recommendations; and be it further

*Resolved (if the Senate concur)*, That the sum of $5,000, or so much thereof as may be necessary, be and hereby is appropriated from the contingent fund of the legislature, to defray the expenses actually and necessarily incurred by the committee in the pursuit of its work hereunder. Such moneys shall be payable on the audit and warrant of the comptroller on vouchers, certified or approved by the chairman of the committee in the manner provided by law.

Adopted in both houses.

Now, of course, it is true that the resolution requires the committee to report back its findings to the legislature not later than March 1. I have reason to believe, and I think everybody that has followed the procedure of the committee feels that the committee will report to the legislature immediately following the convening of the legislature on January 1.

The CHAIRMAN. Does anybody say that, or is that your conjecture?

Mr. MCDERMOTT. That is my belief because I have followed the committee and I know the committee worked hard toward that point. After all, it is a difficult task, as you know, Senator, to cover the entire situation in New York, including Buffalo, Rochester, Syracuse, and a number of large cities as well as New York City. In New York alone there are five boroughs with 7½ million people. It will require some study and some time to sift the series of complaints that have been made to determine whether there is real cause and real justification, whether the State of New York ought to take an arbitrary step in this matter, rather than let the law of supply and demand govern in these times.

The CHAIRMAN. Of course, in 1920; it didn't take very long, you will remember.

Mr. McDERMOTT. Well, I think, Senator, if I remember, I conducted an investigation for the Lockwood committee. I think the Lockwood committee spent over a year before they declared and emergency existed and put into effect emergency rent laws at that time. I think it was over a year before they reached that conclusion, and it was only a finding that an emergency did exist. I think you had a great deal to do with that.

The CHAIRMAN. I had.

Senator HAWKES. Is Mr. Salmon here? He was here a few minutes ago. If he is here maybe he could tell us.

The CHAIRMAN. Tell us what?

Senator HAWKES. Whether that report will go to the legislature——

The CHAIRMAN. His testimony is right here before us.

Senator HAWKES. He didn't say that they would report to the legislature shortly after January 1.

The CHAIRMAN. No.

Senator HAWKES. That is what I would like to ask him if he is here.

A VOICE. Mr. Salmon has left.

Mr. McDERMOTT. He said, as I recall, that the committee expected to have its report ready about the middle of December.

The CHAIRMAN. Yes.

Senator HAWKES. Then is there any reason to suspect he won't submit it to the legislature after it convenes?

The CHAIRMAN. He is not one of the members of the committee.

Senator HAWKES. He came here to represent the committee.

The CHAIRMAN. No, no.

Senator HAWKES. I misunderstood him then.

The CHAIRMAN. No, no. He is an owner.

Mr. HALPERIN. He is one of the owners of one of the largest office buildings in New York.

Mr. McDERMOTT. The committee has been at work and held a very extended public hearing at the New York City Bar Association on Thursday, October 5, 1944, at which all persons were offered an opportunity to submit testimony concerning this question, and are holding executive sessions at the present time.

The proponents of the proposed legislation to freeze and control commercial rents in an effort to bypass the joint legislative committee of the State of New York now investigating this subject, appealed to the Senate Small Business Committee to amend the Price Control Act to provide for commercial rent control. The Senate committee held a full public hearing on the subject on July 14 at which time 15 witnesses appeared and testified in regard to this matter. Eight of the witnesses from New York urged the enactment of such legislation. It was only about 1 month ago that the Senate committee, reporting upon the hearing on page 5, stated:

> In view of the evidence contained in this record in the form of complaints and other communications, testimony at its hearings on this subject, consultation with interested individuals and groups, and the reports of two executive agencies of the Federal Government, your committee concludes that the small-business problem posed by excessive increases in commercial rents is not national in scope at this time and that Federal regulation through the Office of Price Administration or otherwise would not now be justified.



On page 11 of its report the Senate committee further finds, in relation to New York City:

> Outside of Manhattan there seems to be little if any complaint by commercial tenants. A recent spot check made by us in Syracuse, Rochester, Buffalo, and Yonkers, N. Y.; Newark, Paterson, and Jersey City, N. J.; and Bridgeport and Danbury, Conn., disclosed that there was no commercial rent problem in these localities. As a matter of fact, due to the number of vacant stores in most of the cities in this region, the problem is just the reverse; instead of landlords attempting to raise rents, they are competing with each other to secure commercial tenants.
>
> We would say that the so-called commercial rent crisis is limited largely to Manhattan and even here mainly to the midtown section or loft area section dominated by the apparel industries. It concerns loft space more than it does store or office space.

There has been a great deal said about that here today, but the committee did definitely state that the situation involved a small area of Manhattan and did not affect any other part of the city of New York. They did not believe there was proof submitted that would warrant the enactment of any Federal legislation in the matter.

Now the statement of course, has been made here, "Well, if the Federal Government doesn't do something, what is going to become of these people?" If you pass this legislation today it would be at least February 1 before the O. P. A. Administrator could make a finding that there was some justification for him to begin to exercise control.

The CHAIRMAN. If there is a desire to secure abnormal increases, the mere enactment of the legislation would stay that effort.

Mr. McDERMOTT. Well, that is possible. No one is more anxious to see the right kind of a curb put upon any unjust rents than the association which I represent.

The CHAIRMAN. You have a small businessman's committee?

Mr. McDERMOTT. Of course we have, and I represent an organization that has been in existence for 48 years, not something that grew up in the last few months.

The CHAIRMAN. I know that.

Mr. McDERMOTT. We don't go out and solicit complaints and stir up things, but we get complaints, if they are justified, from our membership.

The CHAIRMAN. I understand Mr. Herbert Carpenter, your vice president——

Mr. McDERMOTT. I know him very well, a large manufacturer.

The CHAIRMAN. I understood he was for this legislation.

Mr. McDERMOTT. I don't think so. If Mr. Carpenter was authorized to state that on behalf of the association, I wouldn't be here.

The CHAIRMAN. I didn't say that. I understood he individually thought there ought to be some legislation.

Mr. McDERMOTT. Well, the policy of the organization is made after a committee of very substantial businessmen, lawyers, accountants, or whatever the subject happens to be, have explored it very thoroughly and make their recommendations to the board of directors.

Until the board of directors of the association, which consists of 24 of the outstanding businessmen of this country, has passed upon it, our association does not make a public appearance in behalf of these things.

The CHAIRMAN. I was a member of the State legislature when your organization was in existence.

Mr. MCDERMOTT. That is true.

The CHAIRMAN. We did not always agree, though.

Mr. MCDERMOTT. There is hardly a subject on which there is agreement amongst men who both have the public interest at heart.

The CHAIRMAN. Oh, that is true. I am not questioning that you have the public interest at heart.

Mr. MCDERMOTT. That there have been instances of demands for unreasonable and excessive rentals appears from the disclosures before the joint legislative committee of the State of New York and from some of the complaints that have received public notice. However, the situation prevails in a limited area in the Borough of Manhattan as found by the Senate committee as the result of its hearings on July 14.

The mayor's committee, sometime ago, published a list of 125 buildings in which it was reported that demands for increase of rent had been made. A check-up disclosed that 90 percent of these buildings named had changed ownership since 1928 either through foreclosure by the mortgagee, or by the surrender of the deed to the mortgagee indicating very clearly that the income from the property was insufficient to meet the fixed charges and operating costs because of the depressed rentals and lack of occupancy. It is not surprising, therefore, to find demands for rent increases in such properties.

I don't think any of us want to see these deplorable conditions continue. No branch of industry, no part of the investment of the public moneys, can have an advantage at the expense of another part. Real estate, which means so much in New York City and into which such a huge amount of money has been poured—a continuance of the growth of New York City which means employment for labor—all depend upon whether these things are justified and whether they can be operated successfully and show a reasonable return.

Just as soon as they fail to do that, investment money won't be forthcoming. Blighted areas, and we have blighted business areas in New York, will not be replaced by modern buildings. It just won't happen.

The CHAIRMAN. Mr. McDermott, this perhaps goes back before your time, but didn't your association oppose a reduction in telephone rates in New York?

Mr. MCDERMOTT. Well, I don't know, Senator, whether they did or not.

The CHAIRMAN. I recall that.

Mr. MCDERMOTT. It is a possibility, but I would have to look it up.

The CHAIRMAN. The legislature reduced them, anyway.

Mr. MCDERMOTT. Well, from the personal point of view I think it was a good thing.

The CHAIRMAN. It just shows you how organizations differ.

Mr. MCDERMOTT. I had a little business experience there. I was associated with the New York Telephone Co. for a long while. The tremendous growth of the telephone business in New York City and New York State staggered the imagination and the expectations of the biggest people in America. I think it justified a decrease, just as the long-distance business in this country justified a decrease.



The CHAIRMAN. Well, your organization was against it.

Mr. MCDERMOTT. Well, maybe at that time they felt it was the thing to do. I don't know. You recall another time when there was a good deal of agitation for the creation of another telephone company in New York City and there was a big split in public opinion in New York City at that time.

Like every other sensible businessman, we felt it was perfectly silly, everybody would have had to install two telephones.

The CHAIRMAN. I don't recall that. All right. Go ahead.

Mr. MCDERMOTT. We also desire to call your committee's attention to the fact that the assessed valuation of property in New York City subject to tax has decreased by more than $3,000,000,000 since 1934 due to the fact that properties, because of sacrifice rentals and vacancies, were unable to meet the fixed charges and operating costs and had to be sacrificed to mortgagees. This means that the city's power to levy taxes, based upon the current tax rate, has decreased by $81,000,000.

If the Federal Government should now undertake to freeze or control the rent of commercial properties or business accommodations, it will not help the marketable value of real estate and will result unquestionably in the depreciation of existing values.

So that if anything is done to decrease the value of New York City property certainly it will impair the ability of the city to levy and collect taxes and its ability to support its own budget. On top of that the New York City government has a post-war public-works program to promote employment after the war is over, amounting to a billion and a quarter dollars.

Well, of course, anybody that knows the situation knows that the city of New York cannot finance that in a 5-year period. They are going to look to the Federal Government to meet probably 40 percent of it. We do not think that anything should be done to impair the city's right and its ability to undertake the most public works that they possibly can to promote employment if it becomes necessary, but if something like this happens you won't have the ability to raise taxes and the gap between what the city could invest under the law and its right to create a debt which is fixed by the Constitution would also be affected by this.

So that there are many aspects of this thing that must be considered.

Senator TAFT. You don't want to look with too much optimism for that 40 percent.

Mr. MCDERMOTT. I have some reservations about that myself, but if they come down here and ask for it they will probably tell you you are partly responsible because you put a limit on the value of rents and everything else in New York because of this bill and you are going to be on the spot.

The existing shortage of space in the particular area of Manhattan which seems to be affected is due to business expansion and to the lack of construction during the last 10 years. The situation can best be cured or alleviated by new construction of additional rentable floor area. In recent months many very large building projects have been designed and construction will go forward as soon as restrictions are lifted by the Federal Government. However, if rentals are arbitrarily limited by law and a fair return upon the investment becomes doubtful,

capital required to finance such construction will not be available and relief through new construction will hardly be expected.

We do not believe that the situation warrants the Federal Government injecting itself into a purely local matter within the State of New York, especially since the legislature has appointed a committee which is inquiring into this situation, and particularly in view of the fact that the Legislature of New York State will meet in session on January 1, 1945, barely a month off.

We therefore, respectfully urge that the Senate refrain from enacting the proposed legislation.

The CHAIRMAN. Thank you very much, Mr. McDermott.

Is Mr. Onderdonk here?

(There was no response.)

Mr. MCDERMOTT. May I Senator, put something on the record here, with your consent?

Mr. Harold P. Winans was here all day yesterday and was going to stay over. An emergency arose and he had to go back to New York. He is manager of the Forma Corporation which is the corporation name of the Ruffert Real Estate Holdings. They have over $30,000,000 of property. Amongst the property there are three very large loft buildings and a number of office buildings.

He says they have no complaints of rentals of any kind. He feels if this thing is adopted by the Senate, as I said just a few minutes ago, it is going to impair the marketability of their properties and he would like to have it shown on the record that he, representing $30,000,000 worth of real estate in New York City, both loft and office buildings, is opposed to the enactment of this legislation.

The CHAIRMAN. Very well. Thank you.

Any representative here of the Office of Price Administration?

A VOICE. Mr. Bowles is expecting to be here Monday morning which he understood was the committee's desire.

The CHAIRMAN. All right.

We want to continue these hearings because we have to take up the Maybank bill after that.

Senator HAWKES. Are there any more witnesses to be heard this afternoon?

The CHAIRMAN. No; we will have to recess now.

Senator HAWKES. Before you recess I would like to have introduced into the record a letter given me by Mr. Halperin under date of December 1, which partially answers the question that I raised as to whether the volume of business of these people who are having their rents raised is going up or down while the rent was going up.

Now, his letter is, of course, inconclusive. It cites the case of some 265 manufacturers and jobbers of popular priced dresses whose volume of business, according to this letter, has gone down from $350,000,000 in 1943 to $250,000,000 in 1944. While it was going down, according to this letter, the rent increase was some 12 percent over-all; is that correct?

Mr. HALPERIN. Yes; up to now. It appears it will be 70 percent on the leases which will take effect February 1, 1945.

The CHAIRMAN. These are all loft buildings?

Mr. HALPERIN. These are all loft buildings.



Senator HAWKES. The point that has been left unanswered here is, it doesn't show anything about the profit of this business, whether it has gone up or down. Do you know whether it has gone up or down? Has the profit gone up while the volume has gone down?

Mr. HALPERIN. I can assure you that on a decreased volume of over 25 percent, almost 30 percent, the profit has gone down too. If I may tell you why, I will tell you why.

There is definitely a curtailment in the amount of piece goods and textiles which the Government is allowing to go in the manufacture of the articles these people handle so that there will be a decrease in volume and profits of most of the people who testified here before you.

That is what is actually happening, I think, and your agencies can confirm that.

Senator HAWKES. That would be normally the case when volume goes down.

Mr. HALPERIN. That is correct.

Senator HAWKES. The letter is as follows:

DECEMBER 1, 1944.

Hon. ALBERT W. HAWKES,
*United States Senate, Washington, D. C.*

DEAR SIR: Mr. David D. Urdang, office manager of the Popular Priced Dress Manufacturers' Group, Inc., of New York, a trade association, comprising a membership of about 265 manufacturers and jobbers of popular price dresses, wholesaling from $2.87½ to $5.75 each, doing an annual volume of approximately $250,000,000, and which type dresses is exclusively for the use of the so-called masses, informs me that the volume of business of the members of his association for 1943 was approximately $350,000,000, and in 1944 will not exceed $250,000,000.

In the face of this tremendous decline in volume, the average rent increase for its membership was about 12 percent in 1944 over 1943, and will rise to about 70 percent for 1945, even though the 1945 volume is expected to be much less than 1944.

Thus, you can readily note that rent demands are based on the scarcity of space and not other normal conditions.

Very truly yours,

HARRY J. HALPERIN.

The CHAIRMAN. We will recess until Monday at 10:30 a. m.

(Thereupon, at 5 p. m., an adjournment was taken until Monday, December 4, 1944, at 10:30 a. m.)

65560—44——16

# RENT CONTROL FOR BUSINESS ACCOMMODATIONS

MONDAY, DECEMBER 4, 1944

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
*Washington, D. C.*

The committee met at 10:30 a. m., pursuant to adjournment of Friday, December 1, 1944, in room 301, Senate Office Building, Senator Robert W. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Radcliffe, Maybank, Butler, Buck, Maloney, and Capper.

The CHAIRMAN. The committee will come to order.

Mr. Bowles, of the Office of Price Administration, we are very anxious to have you give us advice upon the bill that is now pending. You have made an admirable job of the work of the Office of Price Administration, and I think the whole committee would care to have your opinions in regard to this matter. This is Senate 2176. Will you give us your views about that?

## STATEMENT OF CHESTER BOWLES, PRICE ADMINISTRATOR, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.

Mr. BOWLES. Mr. Chairman and gentlemen of the committee, the Office of Price Administration is reluctant to add the control of commercial rents to our present responsibilities.

Such controls would be necessarily complex. They would further strain our already overworked staff. They would require additional funds and additional people.

In the last few weeks, however, we have gradually come to feel that Federal control of commercial rents in some areas cannot properly be avoided.

Increased commercial rentals, particularly loft rentals, are already serious in New York City. They are a growing problem in various sections of the Pacific coast, Texas, Ohio, Massachusetts and other States.

Reports from our district and regional rent offices indicate that the trend of commercial tenant complaints is steadily rising. Reports from the service, restaurant, consumer durable, and retail food branches of our price department indicate increasing pressure for price increases based on increased rental expense.

Senator BUTLER. Mr. Bowles, would you object to being interrupted as you go along?

Mr. BOWLES. No, indeed.

Senator BUTLER. You have touched on the situation as to loft rentals being rather serious.

Mr. BOWLES. Yes, Senator.

Senator BUTLER. I would like to inquire as to whether you have any idea as to how it happens to affect the loft situation throughout the entire country, as well as that in New York City.

Mr. BOWLES. I think it is largely the garment industry in New York City. It covers the garment industry which, of course, is becoming quite acute, because we are having to put tighter price controls upon the garment industry. The price of clothing has gone up so rapidly that it is now necessary to put some further controls upon it. Otherwise we are going to run into difficulty.

Senator BUTLER. That would not be true in the State of Texas or on the Pacific coast?

Mr. BOWLES. Not to the same degree that it would be in New York City. There are other situations out there which are just as acute, or potentially so, as those in New York.

In that case, I think Mr. Carson can give us some information on that.

Mr. CARSON. I am Ivan D. Carson, Deputy Administrator for Rents, Office of Price Administration.

There are replies from our regional office that the light manufacturing space, particularly in the outlying sections of Dallas and Tulsa, and in the downtown sections, are showing evidence of the problem, somewhat.

Senator BUTLER. What effect, if any, has the rental of this type of space upon the space which has been taken by the Army and the Navy?

Mr. BOWLES. I shall again call upon Mr. Carson to tell you about that.

Mr. CARSON. There probably has been some effect on the warehouse space.

I am sure that a number of manufacturing plants which were dormant previously, have been reactivated by reason of manufacturing that they are doing for the Army and Navy, under Army and Navy contracts.

Senator BUTLER. The reason I asked you that, Mr. Bowles, I have had considerable interest in and have been actively in touch with a situation of that same kind in the city of Omaha, Nebr. There it is about 100 percent due to the Army taking over space now used by men who are making war goods. They have all of these little mechanical installations on their floors, just thousands of them, but still the Army wants the building.

I might say that we have had quite an argument with them, because there is all kinds of space that the Army or the Navy could take in Omaha, that is not presently occupied, elsewhere, but they simply say, "No; we want this one." They will not listen to any of the arguments about other space. I wondered if that was true in general, and if so, to what extent it was true. I have reference now to the city of New York.

Mr. BOWLES. I think perhaps Mr. Carson could give us some information on that.

Mr. CARSON. In 1942 we had some discussion with representatives of Trinity Church, and also from a large management firm by the name of Noyes—I do not recall the full name of the firm, Senator—



but at that time we were told, even in the fall of 1942, that the situation with respect to loft space was tightening up very badly, and was about to reach a critical stage.

Trinity Church, for example, at that time told us that their vacancy situation was so much different from what it had been just within the previous year, the occupancy was so much tighter—I do not recall the percentage, but I believe I can put that in the record if you desire.

Mr. BOWLES. If I may make the suggestion, after I am through Mr. Carson can read the results of reports that we have received from all over the country just over this last week-end, which I think will give you some idea of the acute situation everywhere. I believe it will give you a more complete picture in that manner.

The CHAIRMAN. I think, just as you say, Mr. Carson, that there is a shortage of loft space in New York.

Mr. CARSON. Senator Wagner, that is quite true. There is a severe shortage of loft space in New York.

Mr. BOWLES. It is heading up and hitting us on clothing. Clothing is very tight. As you know, the garment people are feeling the pressure or will feel the pressure of a rise in their rentals. It would seem from the testimony here that they have felt it already, and their fear is, as I gather it from these hearings, that soon after the first of the year it is going to affect them very severely. It is beginning to have an effect, and in connection with the pressure that is being put on the clothing people to keep clothing in line, I would say that it is going to be a factor.

Of course, there is one big, definite distinction between dwelling houses and commercial properties. Rent increases on dwellings have an immediate and definite effect upon the cost of living, a very sharp effect. Increases in business rents have an indirect effect upon the broad phases of the stabilization program. Everything in a business operation that causes rising costs increases the need for higher prices. That, of course, is one of the major developments here, outside of the human element, seeing the little people crowded out of business.

The CHAIRMAN. That is what I am concerned about in New York.

Mr. BOWLES. It would be a gross exaggeration to state that the situation on a Nation-wide scale is at present either acute or dangerous. But there is no questioning the fact that if commercial rents continue to rise at their present rate it will not be long before we face a threat to our price levels in several fields.

If the inflationary threat was likely to disappear after the end of the German war, it would be most unwise for us even to consider tackling a new problem of this potential magnitude.

But, as we see it, the greatest danger of rising rents and prices will come some 4 to 6 months after the war ends in Europe.

At that time, three to five million men, unemployed during the process of reconversion, will return to their jobs in our plants manufacturing automobiles, electrical appliances, building materials, and so forth. Wartime purchasing power from thousands of war contracts will continue at high levels. More than $100,000,000,000 in savings will be available for purchases in domestic markets. There will be overwhelming pressure on the part of retailers, wholesalers, and manufacturers to build up their inventories with all possible speed.

During the war, more than 200,000 retail businesses, most of them small businesses, have closed their doors as their owners joined the armed forces or patriotically offered their services in the production of war materials.

As the German war comes to a close, many demobilized veterans, with credits from the G. I. bill, plus war workers with ample savings, will rush to enter the service trades, and open up restaurant and retail businesses. Vacancies in commercial establishments are already at the lowest point in 20 years on a national basis. Fifty-five percent of them are on a 1-year lease.

Under these circumstances, the present troublesome rise in commercial rents, which disturbs us in some sections, would quickly reach dangerous proportions. It would put additional heavy pressure on our retail price ceilings. It would throw new obstacles in the way of returning veterans and individuals anxious to establish themselves in an independent retail business.

It has been suggested on many occasions that the control of commercial rents, and indeed the control of all rentals, should be a local or State problem.

Theoretically, this may be so. But the fact remains that no local governments or State Governments have seen fit to pass legislation protecting the commercial tenants.

Reluctantly, with the full understanding of the complexities of imposing commercial rent control in even a few localities, we in the Office of Price Administration feel that only practical answer to this problem is an amendment to the Price Control Act. This amendment would specifically empower us to place commercial rent control in effect wherever such controls are necessary to maintain the stabilization program.

If these additional powers are delegated by Congress to the Office of Price Administration, I can assure you that they will be used with extreme discretion. We are not anxious to dissipate our energies or our manpower on unnecessary operations.

It may be that our mere possession of this power will put a damper on rising commercial rents. We are hopeful that through investigation and through frank talks with real estate groups on a local and regional basis, we can, in many instances, avoid legal administrative action. Certainly, it will be our heartfelt desire to resolve any problems which face us in that manner.

In closing, I would like to emphasize my feeling that the greatest inflationary dangers which this country has ever faced lie ahead. So far, we have successfully maintained price stability in most parts of our economy. The level of wholesale prices is but 3 percent higher than in the spring of 1942. The cost of living during that period has risen only 9 percent, according to the Department of Labor. During the last 18 months, the index of living costs and wholesale prices has shown practically no change.

Clothing prices have risen somewhat. These increases have been compensated for by decreases in the prices of food products at retail.

But we must remember that nearly one-half of the inflation which occurred during the World War I period, the whole period there, came after the armistice.

It was in the period starting 3 months after the defeat of Germany that the rise in food prices, clothing prices, rents, and the prices of raw materials rose most sharply. It was then that we set the stage for the sudden price collapse which began in June 1920—a collapse which in a single year wiped out $11,000,000,000 in business inventories and caused a 66-percent drop in farm prices and a 44-percent drop in factory pay rolls.



The pressures which will follow the end of the German war will, in our opinion, be far greater than those which we experienced in 1919. But this time we have the tools with which to meet them. With the full backing of Congress and all groups that go to make up our people, I am confident that we can finish the job.

Senator BUTLER. Mr. Bowles, you have indicated that this situation in New York is critical or may become critical?

Mr. BOWLES. That is correct.

Senator BUTLER. I wondered if the Office of Price Administration has done anything at all toward hinting at something of this nature, that something might be done in case the situation did not improve? In other words, could it have any psychological effect?

Mr. BOWLES. We are not in much of a position to do it by hinting as to what Congress might do. But I would like to do as much as I could along that line, of course.

Senator BUTLER. Even if you went on to say that you would recommend something like what is proposed in this bill? Do you think it would have any effect?

Mr. BOWLES. I think it would, that is true, and of course we have done that right here for whatever effect that statement may have.

But perhaps you would like to have Mr. Carson run over the country, giving these reports that we have recently received.

The CHAIRMAN. I might say that Senator Mead and myself, in early October, wrote letters to Governor Dewey, suggesting that this situation was approaching, and asked him to call a special session of the legislature to deal with that situation, but nothing happened.

We did have a special session of the legislature that the Governor called a little later on, but only for the purpose of increasing the time for voting on election in November.

An appeal was made to Governor Dewey at that time to also deal with this commercial rental problem, but nothing came of it.

Senator BUTLER. The law, at the moment, does not empower him to do anything along that line.

The CHAIRMAN. That is true, but it is within his power to call a special session of the legislature.

Senator BUTLER. It is within his power to call a special session of the legislature, but the law does not empower him to deal directly with the situation of this kind?

The CHAIRMAN. Not until he gets a law passed to that effect.

Senator RADCLIFFE. Could not such a law be passed, Senator Wagner?

The CHAIRMAN. I think so. We cannot live in hopes, however; we must have some kind of definite action.

Senator RADCLIFFE. Is it not a little bit unreasonable to put the whole country in harness because local people will not act?

The CHAIRMAN. I think this is a national situation, also.

Senator RADCLIFFE. If the commercial rents in New York are too high, and the local people will not do anything about it, I do not see

where that affects the national situation very widely. It seems to me that it might to a very little extent, but that only.

Mr. BOWLES. As to that, Senator Radcliffe, the only trouble with that is that you have manufacturers in different situations, some where their costs can be held down, because there are many vacancies in the area in which they operate, and other places where it is tight.

As I say, we are trying to determine what effect the New York situation has upon our whole program, and it has already had an effect that we have met throughout our whole program of stabilization. It has gone far beyond the borders of the State of New York, and has become a national proposition as far as we are concerned.

That is due, in large part, to the fact those manufacturers of garments in New York are going to come to the point where their margin will no longer permit them to take care of rises in rent without passing that rise on to the ultimate consumer, all the way down the line, in terms of increased prices. The fact that they have not done so already does not mean that it will not be so in the future.

Now, so far, I believe their margins have been spread far enough to take care of it, but they cannot stand it much longer without an increase in the price of clothing.

Senator RADCLIFFE. If the situation gets more serious, would it not put sufficient pressure on the local authorities to do their obvious duty?

The CHAIRMAN. If we wait until that time comes, we may wait until the damage has been done irreparably, perhaps.

Mr. BOWLES. There is no group of people that would like to avoid this more than we. We do not want to take on anything more. We have our hands full. We have price control, control of rents on dwellings, and also rationing. We have got just about everything that we want to take care of now, and we have about all of the difficulties that we want to be confronted with. In view of that we are very reluctant, and we were very reluctantly driven to take the position that we have, but the situation is there and we cannot get away from it. We would like to get away from it, but at the same time there has been a little too much, Senator, of this thing, and I do not believe we can get away from it. Of course, we do realize that it will be quite a difficult thing to handle.

The CHAIRMAN. I would like to inquire: Are you not satisfied that there is a crisis in New York City and other parts of the country right at the present time, so far as loft buildings are concerned?

Mr. BOWLES. It seems to me that that is true in New York and in other areas also.

The main difficulty that I see is that if the situation has grown to this extent now, what is going to happen when the war in Europe, the German war, is ended, and people come back from the war plants, and they want to go into small businesses of one kind or another, such as restaurants, cafes, and all sorts of small businesses? I think that is where the difficulty is going to come.

I think that there will be a very difficult situation there, and one that should be prepared for before it takes place.

Our survey indicates a desire to go into local retail businesses by these war workers who have saved their money for some time. If they start to moving into a tight situation, at a period when the pressure will be on all prices and rents, when all of those pressures will be four



or five or six times as strong as they are now—and I have reference now to the time within 6 months after the end of the German war—it is our opinion that about that time you will have something that will far out-distance anything that you have now.

Of course, we do not know when the German war is going to end, but we do know, at least we have the strong impression, that whole period is going to be very hard to get through. Because of the tremendous pressure that will be brought upon people to rent these buildings, there will be a demand far outstripping anything that has ever taken place in the past.

Of course, it is very, very difficult to get statistics and background on these matters. We do not have statistics and the background that we would like to have, but we have done some work along that line.

Senator RADCLIFFE. Mr. Bowles, if you take over this additional job, do you have the opinion that you will be taking over something that is very large, very complex, and very difficult to operate, and that it will be something that is of an extreme magnitude?

Mr. BOWLES. It is not easy. However, if we are given the job, we will do it.

Senator RADCLIFFE. Would not the matter, inevitably, of collecting data and classification material of various kinds, in view of the fact that you have all of these classifications, be extremely intricate?

To my mind, I am not as familiar with the situation as I would like to be, but it seems to me that even looking upon it in a very, very general way, to my mind it would be a matter of extreme difficulty.

Mr. BOWLES. It would, if you went into every one of these buildings and attempted to set up these schedules individually. I do not think that will be necessary. As a matter of fact, we now have about 15,000,000 dwellings now under rent control, and that is about 80 percent of all dwellings in the country.

You have here about 2,000,000 commercial establishments in the whole United States that are rented. Now with the vast proportion of those, I am sure you would never have to deal at all. In fact, there would be some areas where you would not have to go in at all. There would be other areas where you would go in and negotiate and talk to the people and try by all means at your disposal to get them down to some fair basis, and you would succeed. That would take care of a great deal of it.

Senator RADCLIFFE. Would you not have to make a survey of that situation in order to determine with some degree of exactitude what that situation was?

Mr. BOWLES. We would have to have local studies, and it would not be easy, of course. I do not want to minimize it.

Senator RADCLIFFE. I thought it would be quite a problem.

Mr. BOWLES. Senator Radcliffe, of course it would not be easy.

The CHAIRMAN. Of course, that is not a reason for avoiding the job, simply because it is difficult, is it?

Mr. BOWLES. None of the things we have tackled have been easy. I am looking for an easy one, but I doubt if I ever find it.

Senator RADCLIFFE. I am not interested in that as a reason for objecting to its being done, but it does seem to me that to make this study and survey, as you would have to make, and secure the proper data which is necessary to make your general regulations upon, that that would take a great deal of time, and that it would be a very

important factor, that time that would be involved in order to accomplish this.

I do not see how it could be done except through a tremendous amount of work and effort, and it would require a very considerable period of time as a minimum in which to accomplish it.

Mr. BOWLES. What we would probably do would be to establish some local freeze date as recent, perhaps, as November 1, 1944, or some such date as that, a current date.

We hear about here threatened increases coming around in January and February of 1945. We would establish some kind of a basic current freeze date.

We would probably do it only in a few of the areas where the situation was very acute. We would be most unlikely to do it in all of the regions.

That would give us a basis upon which to start. We would work out a program by which if there is an increase in rent it must be brought in to us, or if there is any hardship in the rents, they would come in to us and we would examine for comparable rents in the area. Or if the landlord rented to a new tenant we would examine into it, otherwise it would simply be a freezing regulation, freezing the situation as it then stood.

Senator BUCK. By January do you think you would have that situation fairly well in hand?

Mr. BOWLES. I am inclined to think so.

Senator BUCK. About how many do you think you would have to add to your staff to take care of the situation in New York?

Mr. BOWLES. Our present bill for rent control for the whole country, around 14,000,000 to 15,000,000 dwellings, comes to about eleven and a half million dollars. I think you can get some idea from that. I could not say exactly at this time, of course.

Senator BUCK. I was thinking in terms of personnel, not in dollars and cents.

Mr. BOWLES. If we took this thing on for administration?

Senator BUCK. If this bill or approximately this bill was passed.

Mr. BOWLES. We do not know now just exactly what additional personnel would be required to handle this, but I think we could work that out rather rapidly once the thing got under way. We would start in by making the proper plans, and we have some of those in skeleton form now, in some of the areas where it seemed to be necessary, and we could go in there and make a fairly quick and effective study in connection with the Department of Labor. I think we could make a formal study which would be of considerable value to us in that way.

We would make a formal study, for instance, of a test group and if that came out at variance with what the situation seemed to call for, we would probably sit down with the local real-estate people and see what could be done. We would say to them, "This is not good. What can you do about it?" It is quite possible we would be able to accomplish some results that way. If they were able to do something about it themselves, we would not have to move in.

Those are all factors which must be taken into consideration.

Senator BUCK. If this were going to be more or less restricted in area, then I am inclined to go along with you, but if you are going to make this Nation-wide check, I think that would be another thing.



Mr. BOWLES. We would be looking for every opportunity not to go in. We are now very much committed to that idea, wherever possible.

We decided, the other day, to go into a half million dwelling units that we had not gone into previously, and we were very reluctantly driven to that opinion. We tried to talk ourselves out of it, but the situation is there, and we have to meet it.

Senator BUCK. Of course, if you get this authority through this law, then complaints will come to you that you have not heard of before.

Mr. BOWLES. We would probably hear of cases where they did not even think it worth while to complain to us now.

Senator BUTLER. I think, Mr. Bowles, that instead of establishing the data as of a recent date for the freeze, and have the freeze at that time, that is, at a recent date, it would be my idea that you pick, like you have in other commodities, further back, go back far enough so that you will get away from any tendency to have gotten ahead for this very reason.

Mr. BOWLES. The only difficulty I thing is that there is some justification in the fact that this was a depressed industry which has had two and a half years in which to raise its rentals. While other things have been under control, this commercial rental field for two and a half years has been under no control whatsoever.

Therefore, I think this, that a date that looks fairly current, as you discuss it, beginning say on November 1, begins to look a very long way back as you start to go ahead, because your roll-back is always difficult and causes considerable resentment and complaints.

Some of those increases are, right now, perhaps all right, and it is perhaps just what is ahead of us that is causing the principal difficulty. There are threatened increases.

I believe all these figures you have here were about the threatened raises which were supposed to occur about the first of the year.

The CHAIRMAN. On February 1, 1945. That is when a great many of them are supposed to come about.

Mr. BOWLES. I understand that it was in January or February, principally in February.

The CHAIRMAN. You have heard, in effect, what this would cause. Do you think that going back as far as November would take care of that situation?

Mr. BOWLES. I think if we went back to November, say November 1, that it would relieve the anxiety on the part of these tenants and be much easier to take care of it that way than to have a roll-back from increased rentals as of January 1 or February 1 in 1944.

Senator RADCLIFFE. Mr. Bowles, is it possible to form any estimate as to the percentage of commercial firms or organizations in New York where there is a danger that exists such as has been referred to here? I am referring now to the danger that exists or would exist as a result of these proposed increases on January 1 or February 1, as the case may be.

Mr. BOWLES. Maybe Mr. Carson can give you some information on that.

Mr. CARSON. Senator Radcliffe, I do not believe that we have any information on that subject, except we have been keeping in touch with Mayor LaGuardia's committee on loft space. I believe that the Commissioner in New York who has charge of this matter testi-

fied before this committee to the effect that there were 5,000 cases that had come before his committee which had to do with that.

Senator RADCLIFFE. Five thousand cases came before their committee. What kind were they?

Mr. CARSON. Some 1,500 of them were in writing, and I believe that the rest of them were oral complaints.

I might add this to what Mr. Bowles said. He pointed out the difficulties, the differences in this field from housing with respect to the availability of statistical information and surveys.

The situation is different as to number of units and the commercial field has many more different types of service and different types of buildings.

I will readily admit that there is no statistical information available as to the over-all rental situation such as there is in housing, but we have been working for a number of weeks and developing a basis of approach to this problem so as to confine it to certain types of areas and to certain types of rentals within certain groups that are in the over-all commercial field particularly affected by this matter. That will eliminate a great many others which would otherwise have to be given consideration.

In fact, we are working with the Bureau of Labor Statistics. I believe that a technique will be developed in the very near future which would, if it works—I believe it will—enable us to reach a conclusion statistically with respect to this much quicker than the Senator had thought.

Senator RADCLIFFE. Mr. Carson, I am heartily in favor of doing everything necessary to help out in this very difficult and perplexing problem. I am, however, not unmindful of the problems that are before us here. I have visualized them, and I know sufficient of them to be aware of their difficulties. I might say that, although I appreciate the need for desirable legislation in any field, and in this if it be established that it is necessary, I am appalled by the magnitude of this proposition, and also I have been impressed with the idea that the problem is not sufficiently general to warrant such an assumption unless we can definitely establish it here that this goes beyond the confines of New York. If it is merely a New York matter, then I think it should be confined to New York. If it is a matter which goes far beyond that, that is something else.

Mr. BOWLES. I have no desire to add commercial rent control to our program unless it is absolutely necessary.

Senator MALONEY. As a matter of fact, I think we should hasten it, but in your studies have you given any thought to what is going to happen to loft space in New York when we reach the end of the war with Germany? Is there not a strong likelihood that those manufacturers who have been suffering under increased rents will move to the then available space for manufacturers, that they will then go to other parts of the country, particularly nearby States, where such space is available at more reasonable rates?

Mr. CARSON. I think it would be very difficult to make a prediction on that, Senator Maloney. We have to study the situation as it exists at the present time. We have information to the effect that when leases are to be renewed they are requiring tenants to renew for long periods of time, Senator, otherwise the renewals are not accepted. They are much longer than have heretofore been customary. For



example, it may have been the landlord's custom to lease space on an annual basis, and now he is offering tenants renewal leases only on the basis of 5 years or longer, which will add to the difficulties if there is a let-down and the tenant does not have the income upon which to proceed.

The CHAIRMAN. Not only do they ask for an increase in rental but they ask for it over a very long period of time?

Mr. CARSON. That is correct.

Mr. BOWLES. That is one of the things that has come up.

The CHAIRMAN. There is no more necessity for a long term lease now than there was before? It would certainly be a very unusual thing.

Mr. CARSON. They are asking for them on a much longer term.

Senator MALONEY. I would like to ask you this question, and I am directing this question to Mr. Bowles: In your studies I would like to find out if you set November 1 as the date of your freeze, Mr. Bowles, what would you do about the outrageous increases that have already been brought to the attention of this committee which occurred prior to November 1?

Mr. BOWLES. As to that, Senator, there have been some studies, of course, and we would contemplate taking care of that. Those cases would have to be considered on their individual merits. We would have to weigh the difficulties in going back and correcting a limited number compared to the future problem. That applies to all of the other problems involved in any roll-back.

You do not like to see these unfair conditions exist, but the cost involved and the problem of correcting it, in general, may be so great that it is not worth the effort from a national standpoint. On the other hand, certainly, to the man that has been faced with this particular problem, that is not a very good answer, but you never can get such a thing on a perfectionist basis. You have to do it as well as you can. Certainly, if we can go about this now, we will be able to do a much better job from that standpoint than we will be later on, when the number of problems will be much greater.

Mr. FIELD. My name is Richard H. Field, general counsel, Office of Price Administration. I would like to make this observation: When you have selected a date at some prior time, as Mr. Bowles has stated, an earlier freezing of rents would be established. But even with a fairly current freeze date the act would probably provide upward or downward adjustments to take care of these individual cases. If you do have occasional cases where there might already have been an exorbitant increase that you had not caught by this freeze, this could be handled by way of individual application, by the tenant for a reduction to the level of comparable rents in that type of building in that locality.

Mr. BOWLES. I would like to point out, also, one other thing.

If you had this thing confined to New York, that would be one thing, but if you do this even in New York, you would have to handle all the commercial rents in New York only in a very general sort of way, because you can just pick out loft space, and you can take this matter of retail outlets as a separate matter.

Senator BUCK. Do you mean by that that you could consider loft space without any regard to office building space? Suppose the bill was written to apply only to loft space? Do I understand you correctly?

Mr. BOWLES. Senator, that would take care of your most pressing problem now, but I think the feeling we have most definitely is that the problem, the problem that we really should worry about will come later on and is going to be in connection with these retail outlets. This is simply the first manifestation of that problem.

Senator BUCK. Could that not be picked up in the next bill?

Mr. BOWLES. You can do so, Senator Buck, but it is easier to do it before it happens, and I can assure you that it is going to happen. If it is done now, of course, it will be a much better plan than doing it later on.

Senator BUCK. It seems to me you are anticipating a little bit.

Mr. BOWLES. We are simply seeing the shadow cast in the form of this difficulty about loft space. That will be nothing compared to what we are going to have when it comes to retail outlets.

Senator BUCK. You are talking as though you wanted to get into this.

Mr. BOWLES. I do not want to get into it from choice, but I want to get into it only because we have this problem there, and it is something that is going to have to be met. It is going to be one of the most serious problems in this country otherwise.

Senator BUCK. You do not think it should be limited, then, to loft space?

Mr. BOWLES. I think you will find the retail problem will be very much greater. You have 200,000 of those that were closed up by reason of the war. In spite of that fact, the vacancy in some classes of commercial real estate is lower than it has ever been.

You will have this great rush that is going to be begun to go back into the retail trade after the German phase of the war is over, and the pressure there, I think, will accumulate very rapidly once the German phase of the war is over, and no one knows when the German war will be over. If we are prepared for it, certainly we will be in much better position to handle it than if we wait for the flood to burst upon us.

Senator BUTLER. I see your point.

Mr. FIELD. I would like to mention now that when considering this matter I think it should be perfectly clear that any legislation that comes about as a result of this should be legislation that would provide that when we go into a particular area we need to regulate only the particular type of building where the problem arises. It would certainly be most unfortunate and expensive, and cost a lot of time and effort, and would be much less efficient if we had to go into an area on a broad scale that would include all of the commercial rentals in that area when the problem might be found only in a particular type of building. In other words, it should be done on an over-all basis only if necessary.

Senator BUCK. In other words, you are going to have to set it up to cover an area in a more or less complete form?

Mr. FIELD. That is correct, I believe, under the bill as introduced.

Mr. BOWLES. We have to judge this question not only with regard to the loft buildings now, but we have to take this question in connection with the matter of retail rentals which is ultimately going to be the bigger problem.

Senator BUCK. I do not think that there has been any witness before this committee that has testified to anything but loft rentals.



Mr. BOWLES. I do not think the retail situation is bad now, but I can assure you that it is going to be. That is going to be the really big problem.

Mr. FIELD. We have already had information here, Senator Buck, before this committee concerning certain very tight spots in connection with retail outlets or stores, particularly restaurants and laundries on the Pacific coast. I think that can be added to rather substantially.

In fact, Mr. Carson can give you that in great detail. But there has been already a small but, what is more important, a regularly increasing and clearly indicated trend in the way of requests for price increases on account of increasing rentals and increased rental pressure in those lines.

A point that I think is quite important that we not be forced to follow the present defense rental area lines. I would like to suggest that under the language in the present bill, as it is stated there, it would be doubtful whether we would have the right to go into an area with certain geographical limits that do not encompass a present defense-rental area.

For example, in eastern Massachusetts we have a defense-rental area extending from north of Boston to Cape Cod, which is rather large in size. It seems to me that if we had a problem in a small portion of that area we should be able to carve out a small portion and confine ourselves to that and not include all of the others. Otherwise, it would probably increase the magnitude of our job in some instances far beyond that which it should be. By doing that it would save a great deal of time and money. I think the bill, as presently drafted, is vulnerable from that point of view.

Senator BUCK. Mr. Chairman, do you hope to get this amendment through at this session of Congress?

The CHAIRMAN. I hope to do so; and I am going to ask the committee to meet tomorrow morning in executive session to consider the bill.

Senator BUCK. And will they have hearings in the House, if the bill is passed?

The CHAIRMAN. I think that will be done. There is a bill, I understand, presently before the House.

Senator BUTLER. Identical with this one?

The CHAIRMAN. I understand it is very similar, if not identical.

Senator BUCK. Would that include just applying it to the area where the hardship is said to be?

The CHAIRMAN. Those things will be worked out by the committee, of course.

Mr. FIELD. The bill was introduced on Friday last in the House, as I understand it.

Senator RADCLIFFE. Mr. Bowles, I would like to ask you a question here which is possibly not susceptible of an answer at this time and may not be entirely reasonable under the circumstances, and if so, just say so. However, if you feel you can make any statement in reply to it, I would appreciate it. I realize that you exercise your discretion now with regard to residence rentals as to whether you think it is necessary to step into a certain situation.

Mr. BOWLES. That is correct, Senator.

Senator RADCLIFFE. I assume from the comment you have just made that you would intend to follow your practices in the past, if this bill

should become a law, and you would continue to exercise your discretion as to whether or not you would come into a certain rental territory or situation and take any action there?

Mr. BOWLES. That is quite so.

Senator RADCLIFFE. Can you give us any idea as to what might be the factors, or controlling elements or element leading to such a conclusion on your part?

Mr. BOWLES. Perhaps so. I will try.

Senator RADCLIFFE. Can you define it by way of percentage or in some other manner which might show whether you would go in or not? For instance, we were talking about New York. We are told the situation is rather serious in certain localities and in other localities we will assume that it is not. In some localities you will have many complaints and in other localities you will have a few complaints, and in some localities you will have perhaps one or two. You may find that you will have a great many requests all over the United States if this law should become effective. You will have to make some certain decision as to whether you would go in to a certain area or not. Can you just even, in a general way, give us an idea as to when you would come in or when you would not come in? I realize the difficulty of this question, but would you tell us to the best of your ability?

Mr. BOWLES. I should think one of the most important factors would be the extent to which rent increases and price are related, that is, the extent to which rent increases the price and puts a proportionately greater pressure on our price ceilings. When there are threats that rents are pushing on a price ceiling and pushing the prices upward, that would be a rather compelling thing, to my mind, for consideration. Of course, that would depend on the extent to which it would affect the margin, both the retail and wholesale business mark-up or margin, to the point where it would affect the level of prices as we have tried to establish them. That would certainly be one of the factors, and a rather important factor.

Then you have the human factor, the corner druggist or drug store who has been on that corner for 30 years. He has gained a considerable knowledge of the people around there. He knows all the children in the neighborhood. They all come in there for their ice-cream sodas. He fills their prescriptions. He knows all of their ills.

Now, someone comes along and doubles his rent. In that case it probably would not raise the price level, because there will be other places in the neighborhood where those same goods can be purchased. Nevertheless, and at the same time, there is the human problem there which can be met and should be met. We would give that considerable consideration. There you would want to consider just what the factors were, and how they were affecting this man.

I think we would have to give consideration to those two elements I have mentioned. If the rent is increased to the point where it would be quite a threat to this ability to stay in business, we would feel probably that we should step in and give consideration to the factors involved, because we should not have to limit ourselves solely to the matter of the effect on our price ceilings, but should take consideration of the human element there.



We would not want to go in each and every area and examine all of the rents, because that would be a waste of money, time, and manpower.

We have some figures here that I would like to present to you through Mr. Carson. They have been collected throughout the country, not as fully as we would like to have them because we did not have the time nor the manpower to give it in as great detail as perhaps we would have liked have done, but I think they will be rather informative of the situation throughout the country.

Perhaps Mr. Carson, you would like to give an outline as to how you found the situation in the various areas throughout the country from which we have had reports. I understand these were gotten just over the week, and of course, they are rather brief, for that reason.

## STATEMENT OF IVAN D. CARSON, DEPUTY ADMINISTRATOR FOR RENT, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.

Mr. CARSON. In the matter of housing rentals we are more fortunate, Senator, because we are able, through the Bureau of Labor Statistics to trace the rent level back to a base date such as March 1942, or January 1942.

We are able to review in a general way the movement of rents since that date. That has been of considerable advantage in giving consideration to the over-all picture.

We are also able to determine, and we have taken into consideration the percentages of units that have shown rent increases since January 1942, and the extent of the increases both percentagewise and dollarwise as compared to the average rent prior to the date of the survey.

And we are able to consider the over-all increase in the rent ceiling as compared with the base date.

In the commercial field, as I mentioned a moment ago, we have been working out a survey approach to this problem.

I should think one of the things we would want to look at in the retail field would be to determine whether or not, in general, there was a significant percentage of the rent increases in comparison with rents normally established in that area.

Of course, it is very difficult to be definite about these things.

Senator RADCLIFFE. I know you cannot be at all definite, and I realize the question is very difficult to answer, but I want to get you to try to answer it if you can, as to what you would consider to be a sufficient percentage to cause you to go into a certain territory.

If one had, for instance, only one complaint in a city that would not be sufficient. But there is somewhere between one complaint on the one hand and 100 percent complaints on the other hand where you would step in. Is there any way to visualize that at all? I know it is hard to get at, but it would be highly helpful to the committee, at least it would be to me, if I could in some way form some impression in my mind as to what level or what percentage or what degree or what proportion of properties affected would lead to such a conclusion.

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Mr. CARSON. You mean, in the commercial field?

Senator RADCLIFFE. Yes; I had the commercial field in mind. That is what we are discussing now, but I am asking you that question in any way you can answer it.

Mr. CARSON. You cannot take complaints alone. I am sure you will have to consider conditions in the area itself in connection with such complaints as have been received.

Senator RADCLIFFE. Yes.

Mr. CARSON. Ten percent in a small town is one thing; in New York City it would be another thing, Senator.

Senator RADCLIFFE. I can realize that quite readily.

Mr. CARSON. I believe one of the important factors in this thing, certainly, in the Rent Department, one thing that would be and could be extremely important would be to keep in close touch with the Price Department both with respect to the hard-goods industry, durable goods, and allied lines. I think one of the very important factors, also, would be whether or not the Price Department was getting pressure from this particular locality for increases in price.

Now, I do not want to appear to dodge your question, but I do not know exactly what percentage of retail stores we would consider as significant in the city of New York, for instance.

Senator RADCLIFFE. I did not mean to suggest any actual percentage. I realize that there are other factors besides the question of percentage that you would have to reckon with. I think, if you can give me some sort of general impression, whether or not it is 1 percent or 20 percent or 30 percent or 40 percent or one-third, or one-fourth, or one-tenth, or if you can make any suggestion, bearing in mind, as you said a while ago, that there are different factors to be considered, just how you would feel about that.

Mr. CARSON. My attention has just been called to a very important criteria, and that would be vacancy ratio. In the field of dwellings that would be of the highest importance, obviously.

In the commercial field the vacancy ratio or vacancy condition would have significance, varying significance in different types of locations.

For example, you might have a rather large number of vacant stores in outlying locations in a city, but downtown merchants who are traditionally set up and fitted for that location only, would be unable to avail themselves of such space. In such an instance you might have a great deal of space available, but, due to the location, it would be of no significance. That would be something which would have to be taken into consideration.

Senator RADCLIFFE. In many cases, if the corner groceryman has to move, it is rather serious a thing for him, but in many cases, especially loft space, in moving from one neighborhood to another, there might be pressure in one section and not in another.

Mr. FIELD. May I make a suggestion on that, Senator Radcliffe, on both loft space and retail establishments sometimes it is difficult to move, and the difficulty of moving is much greater now than in normal times, by reason of War Production Board restrictions on the amount of renovation that can be done. That certainly would be a factor.

Senator RADCLIFFE. Yes; that would be a factor.

Mr. FIELD. That is important. In fact, that is very important. For example, Mr. Lurie testified the other day, in speaking particularly of the New Bedford, Mass., situation, that there was still a lot of vacant loft space in New Bedford, but that his people were faced with either that very heavy amount of expense in moving or in some cases the impossibility, by reason of inability to get necessary authorization from the War Production Board to make the alterations necessary in order to accomplish such a change.



Senator RADCLIFFE. That certainly would be a factor which would be greater than some of these others.

Mr. BOWLES. There is one point we have to remember in anything you do here, commercial rent control for the landlord and real-estate owner who has no intention of changing his rent, who does not want to increase it or change it, has no red tape or any problem according to the plan that we would operate on as presently conceived, he would have nothing to do except to go ahead as he would have otherwise.

It is only if he wants to boost his rents up, or rent to a new person. In that case the new person would not know what the old rent was and the terms. We would probably want to be in on that.

On your regular dwelling rental, we are in on that in every single case, because we have them file and register, because the turnover is much faster, and they had no way whatever of knowing what went on before.

Senator RADCLIFFE. Do you mean, taking Baltimore, for instance, assuming that Baltimore has no difficulties of that kind. I do not know whether you have any complaints or not, but for the sake of discussion I will assume that Baltimore has no such problem.

Would that mean, according to what you have said, if this law becomes operative you would not—unless you became convinced later on that there was a problem there—you would not take any action there at all?

Mr. BOWLES. Absolutely; I would say that the vast majority of places you would never have to do anything at all.

Senator BUTLER. In some instances it may represent space that is more or less the only space they have there, the armed forces having taken all the rest of it, such as in Omaha?

Mr. BOWLES. That is a situation in which we could probably do something. That would be a proper thing if the space were so tight that they could not get anything else, or had to move at great expense.

Senator BUTLER. We have been trying for some months past to alleviate that situation. It is not because of lack of space. It is simply a question of whether or not people who have had this machinery installed have to make a very expensive move. The point you make I think is well taken, the move is far greater an item than the rental.

In that connection I would like to go back to the basic problem and the purpose of this bill that is founded upon it, in the first place, which is to prevent inflation.

How much inflation are you preventing by taking over control of lofts or commercial rent?

Mr. BOWLES. Senator, that will vary. It will depend on how far it goes. It will depend upon its ratio to the amount of business done by the firm. Very many times it is a very small and limited amount before they will be compelled to raise their prices. In other cases there is a considerable leeway there.

In some cases the costs go up, and if they go up some more and some more, they may have a margin which can take it, but finally they will not have a margin within which they can absorb it, of course.

Senator BUTLER. The testimony here so far has indicated that the cost of rentals to these people who live in New York is a very small percentage of their gross.

Mr. BOWLES. The average is something like 6 cents on the dollar, it goes from 10 cents to 3 cents.

Senator BUTLER. I think they testified around 1 percent.

Mr. BOWLES. One percent? I was thinking of the retail figures. Perhaps that would not apply to that problem you had in mind.

Senator BUTLER. The figures in some cases show 30 percent, in some cases 100 percent. But the average was around 40 percent. If you increase the rental of the loft space, even if you doubled it, what effect is it going to have on the program to prevent inflation?

Mr. BOWLES. At some point when it comes right out of the profit margin of the firm it is going to increase the price. At some point that will happen. It depends on what their margin is and what their cushions are.

Senator BUTLER. It seems impossible that it could be so low and not be allowed to fluctuate 1 percent or 2 percent, because I cannot conceive of any business in the world that has a margin that close, because they would not be able to live if they were doing business on that close a margin.

Mr. BOWLES. I have heard of cases where it was greater than that. I have not heard of any cases that low. There may be some where the garment makers have asked for price increases based on rentals.

I can only say that we are determined to control clothing prices, and in doing that, we are probably going to have some pressure.

Senator BUTLER. Clothing has gone up a great deal. I do not know what the official figures are, but I know that it has about doubled in price, as I recall it.

Mr. BOWLES. The official percentage since the outbreak of the war shows an increase of 41 percent. The last 18 months it has risen 11 percent, but you have had a further deterioration of quality on top of that.

That is the trend that we have been able to counteract because our retail food prices are down, but it is plain that we have got to stop the trend upward in clothing prices. That must be stopped.

Senator BUTLER. So the national over-all situation is not at all serious?

Mr. BOWLES. No; because there has been a very good job done on that.

Senator BUTLER. You have certainly done very well.

Mr. BOWLES. It has been the result of some pretty hard work, whatever the result has been. What we are going to do, we are going to have to move in the garment trades and take a firm position. When we do that, I am sure we are going to hear something said about rents.

Mr. CARSON. Yes; that is correct.

Senator BUTLER. I would like, Mr. Chairman, if Mr. Bowles does not do it today, if he could do it next week——

The CHAIRMAN (interposing). If I may interrupt, we are going to finish today, and we are going to have an executive meeting of the committee tomorrow.



Senator BUTLER. I would like to have him give us a letter to show, if he can, what the effect of the advance, proposed advance of rental even in the most radical changes with reference to loft space will have on the picture of inflation.

Mr. BOWLES. That is a very good question. I can do that for you.

Senator BUTLER. It is perfectly easy for me to see what effect the rental would have for a man who is running a home, but his rental for office work or space, or any other commercial rental, and particularly the rent for loft space, I want to find out if that is a very big percentage of the total income.

Mr. BOWLES. That is a very good question, and I will be glad to get you an answer to it, to the best of my ability.

Senator BUTLER. An increase of even 100 percent in rental, I do not think could affect the price of a shirt or a hat or a piece of cloth a fraction of 1 percent.

Mr. BOWLES. I think that is a very good question. I will have the Price Department make a study, and make a little case history of it, as to what effect some of these increases in rental would have on inflation, if any. It is a very good point.

The CHAIRMAN. Is there anything else?

Senator RADCLIFFE. Mr. Carson was going to give us some data in the nature of a survey. We have interrupted him several times. I would like to hear that.

The CHAIRMAN. Proceed, Mr. Carson.

Mr. CARSON. I would like, with the chairman's permission, to have this typed out, as I do not have it in final form now, because I had to do this over the week-end. I could insert it in the record later on, if I may, or I can just make an oral presentation now.

Senator RADCLIFFE. Let us hear it now. I would like to hear about it.

Mr. CARSON. Very well. This is a report from various field offices as to complaints that they have received about commercial rents. I have set these up by regions, and I will discuss them in that manner.

Region No. 1 is the New England region, and it embraces the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

Complaints of increases in rents for shops and stores have been received by our area offices in region 1 in Bath, Portland, and Bangor, Maine; Providence, R. I.; Burlington, and Springfield, Vt.; and in New Hampshire general rises are reported in retail stores, women's apparel shops, beauty parlors, and cafes.

Most offices in the region report rises in garage rents. That is something a little unusual, but I am calling it to your attention.

In Bangor and Portland, Maine, increases in office space are also reported.

In Bath and Portland, Maine, and Providence, R. I., the increases in rents asked for stores and shops are reported to average from 75 percent to 100 percent, and in Burlington and Springfield, Vt., increases of 50 percent are reported in several retail stores.

In New Bedford, Mass., increases are reported in manufacturing space ranging from 40 percent to 325 percent. Mr. Lurie testified before this committee as to certain of these cases.

In Boston complaints have been received as to rent increases for small manufacturing and loft space, garages, and warehouse space. This situation is reported to be getting quite serious in Boston.

The New Haven Register, in New Haven, Conn., has made a survey of 100 stores, and while the results have not been available to our regional office, we understand that it shows increases in all cases, many being as high as 100 percent.

That is the general picture with respect to New England, particularly outside of Boston, which has to do principally with service establishments and retail stores.

Region No. 2. Region 2, with headquarters in New York City, includes the States of Delaware, Maryland, New Jersey, New York, and Pennsylvania.

A great deal of testimony has been presented to this committee regarding the situation in New York City. I might say that we have been advised by our New York region that they have received considerable complaints with respect to New York City. We have also received some complaints from Newark, N. J. In Baltimore the situation has not appeared to have been or to be as critical.

There are some complaints as to light manufacturing space and chain stores and retail establishments in Philadelphia.

We have also reports from Rochester and Buffalo concerning the situation there.

Senator RADCLIFFE. You do not know what those increases are, of course, and I imagine in a very considerable number of cases these increases mean no more than an increase representing the increased cost of operation of the buildings.

Mr. CARSON. That may or may not be.

And also in these rentals there may be long leases and they may or may not be in line with a more or less proper relationship between gross sales and the rent of the property.

The only thing we are able to do is to get an impression as to what the potentialities of the problem are. These reports do show that the complaints are accelerating rather than being on a downward trend. I think that is the principal value of these reports. I do not want to give the committee the impression that we are trying to overplay the situation. This is simply a factual report.

Senator RADCLIFFE. I suppose if this law is passed that is in contemplation, a large percentage of those whose rents have been increased would make complaint to you, and that would be an additional reason for making it.

I am wondering if you would not be faced with a situation of having a considerable number of complaints from most of the territory, and if you would not be more or less forced into a general survey of the thing, which I assume is a thing you would not want.

Mr. CARSON. Of course, we will have to go behind these different complaints as we do in the housing field now, and see what the basis is.

Senator RADCLIFFE. You can go behind the housing situation much more readily than you can behind the commercial rents. Going behind the figures there involves a very involved and complex number of figures that would not be involved in the case of housing.

Mr. CARSON. The problem would be possibly more difficult, but we are developing, with the Bureau of Labor Statistics, an approach to that which I hope will be quite adequate to take care of the situation.



The CHAIRMAN. If the crisis exists, do you think that the fact that it is difficult is an excuse for not doing it?

Mr. CARSON. I would not think so. As far as being in charge of rents and the rent department, we would have difficulties, as I have just indicated, but I do not think that is the controlling factor.

Senator RADCLIFFE. I think we will all agree on that, Mr. Chairman.

The CHAIRMAN. Have you had any mention of difficulties in the District of Columbia? Is there any difficulty here?

Mr. CARSON. We have not gone into the District of Columbia. We have not received any complaints from the District, because as you know, they operate under a different law.

Mr. BOWLES. I believe that, under the laws that have been established, that is handled in a different direction.

Mr. CARSON. The understanding I have is that the amount of vacancy in office space is less than one-half of 1 percent. In fact, here in Washington, D. C., it is less than in any other city in the country. In other words, we have the very tightest situation in office space here in the District of Columbia.

The CHAIRMAN. I would like to spread on the record a letter from the Federation of Business Men's Associations, Inc., Washington, D. C., which apparently also favors that legislation, in addition to presenting the matter there, which is in line with some of the difficulties which have been complained about here. In that letter Mr. J. Nelson Anderson, general counsel, Federation of Business Men's Associations, in the District of Columbia, indicates:

As general counsel of the Federation of Business Men's Associations of the District of Columbia, I wish to advise that the federation, in regular meeting assembled, Friday, November 17, 1944, endorses the enactment by the Congress of the United States of legislation for the control of commercial or business rents in the District of Columbia which would be comparable to the provisions of the District of Columbia Emergency Rent Act relating to housing accommodations (Public Law 327, 77th Cong., ch. 553, 1st sess.).

The federation believes that such a similar law is not only necessary to prevent further speculative, unwarranted, and abnormal increases in rents, but that it will be fair and equitable since it would afford, in the individual case, an opportunity for adjustment by a duly constituted authority where the maximum-rent ceiling is, due to peculiar circumstances affecting such business accommodations, substantially higher or lower than the rent generally prevailing for comparable business accommodations. By such a method, the tenant will be assured of protection from exorbitant and excessive increases in rent and the landlord will receive a fair return on his investment, with due regard being given to increased costs of operation.

It is my understanding that the Emergency Price Control Act of 1942 (Public Law 421, 77th Cong., ch. 26, 2d sess., approved January 30, 1942) was applicable to the District of Columbia, as well as the United States, its Territories and possessions, but that it was not applied to the District of Columbia with reference to housing accommodations, since the same were at the time and have been ever since regulated under the rent act referred to above, which act was approved and became law December 2, 1941.

Enactment in its present form of S. 2176, a bill to amend the Emergency Price Control Act of 1942, as amended, with respect to the control of rents for business accommodations, would equally be applicable to the District of Columbia, and the Price Administrator would thereby be vested with authority to establish such control of rents for business accommodations as in his judgment may be fair and equitable. The Federation of Business Men's Associations of the District of Columbia is in favor of the enactment of S. 2176, provided provision is made for the adjustment of rent in the individual case by a duly constituted authority as referred to above and as permitted under the District of Columbia Emergency Rent Act.

The need for such legislation is not of recent origin. By reason of instances of abnormal increases of business rents brought to its attention, the Federation, in regular meeting assembled, April 16, 1943, approximately 20 months ago, endorsed the principle of regulating business rents and the Congress was urged at that time to enact legislation to that end.

For the information of the committee, the Federation of Business Men's Associations of the District of Columbia is composed of 23 member associations representing approximately 3,500 business men and women in said District. The constituent member associations include: American Business Association, Inc.; Bennings Business Men's Association; Brookland-Woodridge Business Association; Central Business Association; Chevy Chase Business Association; Cleveland Park Business Men's Association, Inc.; Columbia Heights Business Men's Association; Connecticut Avenue Business Men's Association; District of Columbia Funeral Directors Association; District of Columbia Liquor Dealers Association; District of Columbia Petroleum Industry's Committee; Electrical Contractors Association; Georgetown Business Men's Association; Independent Food Distributors; Maryland and Virginia Milk Producers Association; Master Plumbers Association, Inc.; New Center Market Dealers Association; Northeast Business Men's Association; Northern Seventh Street Business Men's Association; Park View Business Men's Association; Southeast Business Men's Association; Washington Hairdressers and Cosmetologist Association; and Washington Restaurant Association.

It is requested that this communication be made a part of the record of the hearing on bill S. 2176 and that favorable consideration be accorded the suggestions therein set forth.

Mr. BOWLES. I think that is a rather important point of course. We have read in the papers, also, of certain cases, and we have heard of certain situations in the District of Columbia which should be given handling.

The CHAIRMAN. That is not sufficient for you to take action upon?

Mr. CARSON. Would that not probably come before the District Committee and the Congress, Senator?

The CHAIRMAN. Unless that is part of the general picture.

Mr. BOWLES. We have not gone into that situation, have we?

Mr. CARSON. No.

The CHAIRMAN. I want to keep the situation clear. Proceed.

Mr. CARSON. A great deal of testimony has been presented to this committee regarding the situation in New York City. Our New York regional office informs us and confirms that of the types of commercial space affected in the majority of cases involved loft buildings. A considerable number of complaints have to do with stores and service establishments.

Apparently, on the basis of complaints received, office space has been least affected by rent increases, although that is a factor.

The acting regional price executive has reported applications for price increases from approximately 6 garages, 15 bowling alleys, and 1 storage company. In some instances it is reported that garage rents have been doubled and tripled; the rental increases on the bowling alleys average 15 percent, and the storage company's present rental is $575 a month, whereas the new lease provides for a graduated rental on a 5-year period resulting in an average of $387 a month. Numerous complaints are reported from all service trades, particularly shoe-repair shops and dry-cleaning establishments, indicating widespread rent increases among service establishments. Several inquiries from linen-supply companies indicate rent increases. It is reported that one company's rent was increased from $7,000 to $20,000. The price department in the New York region expects to receive many more applications for price adjustment because of rent increases as more leases expire and renewals have to be negotiated.



In region 3, the regional office is located in Cleveland, Ohio, and includes the States of Indiana, Kentucky, Michigan, Ohio, and West Virginia.

The area rent directors of Cleveland, Indianapolis, Columbus, Ohio; Detroit, Mich.; Charleston, W. Va.; Grand Rapids, Mich.; Cincinnati and Toledo, Ohio, report receiving complaints on commercial rents.

The reports, however, do not indicate a great volume of complaints or widespread difficulty.

In Indianapolis, Ind., and Grand Rapids, Mich., complaints have been received of rent increases in underlying leases, particularly on hotels.

Th complaints received by our Columbus, Ohio, office relate primarily to drug stores and beauty parlors operating in residential districts, and in Cincinnati, Ohio, some complaints have been received regarding retail stores.

From Toledo, Ohio, it is reported that complaints from restaurants, barber shops, and beauty parlors predominate.

Our Cleveland office reports that recently complaints have been received regarding rents for gasoline stations. It seems that these leases are based on the gallonage sold. Because of rationing the volume has dropped, and as leases expire the operators are refusing to renew unless the volume is up to prerationing basis. Our Detroit office has reported complaints affecting retail stores and loft space.

Referring for a moment to the situation in Cleveland, it is obvious that that is going to encourage a black-market situation there unless something is done about that. In other words, they may have to go into the black market so that they can keep up the gallonage in order to hold the business.

The CHAIRMAN. You spoke something of loft space in Detroit. Is loft space congested in Detroit?

Mr. CARSON. Apparently there is, from what we receive from that office.

The Atlanta, Ga., office reports, and I might say that this refers to the region No. 4, comprising the States of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

The Atlanta, Ga., office reports some increases in store and office space.

Complaints have been received by our Nashville, Tenn., and Birmingham, Ala., offices.

Our Miami, Fla., district office advises that the local price panel and the field office are aware of 50 or more leases where increased rent resulted in violations by restaurants.

The Birmingham, Ala., office reports that eight laundries show rent increases averaging $93 a month, and ranging from 25 to 200 percent.

The Atlanta, Ga., regional price executive estimates that 25 adjustment leases, or about 5 percent of the total number handled from Nashville, Tenn., have involved commercial rent increases. One example is cited of a laundry which showed an increase from $41 in 1941 to $163 in 1944.

Three cases have been handled from Atlanta, Ga. One was a restaurant and two were storage companies.

Five applications for price increases are reported from Memphis, Tenn.; two from restaurants and three were from service establishments.

Two applications are reported from Jackson, Miss., one from a restaurant which was partially granted, and the other was from a dry-cleaning establishment.

Our Savannah, Ga., office reports five applications for price increases on the basis of rent increases, three from restaurants, one an automobile repair shop, and one a stationery store. The increases in these cases averaged 50 percent.

The Birmingham, Ala., office has handled 13 applications from laundries. The 5 laundries which owned their own buildings received no adjustment, whereas all but 1 of the other concerns which rented their space were granted adjustments ranging from 3 to 12 percent.

In Chattanooga, Tenn., a similar result obtained where one laundry which shows a rent increase of approximately 50 percent received twice as large an adjustment as another laundry which owned its own building.

The principal difficulty in the South is in the service field, where price increases are concerned, but not in the retail field otherwise to such a degree.

Region No. 5, headquarters at Dallas, Tex., and covering the States of Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas, the Dallas office reports increases in commercial rents have been received from our Dallas, Houston, Gainesville, and Abilene offices in Texas and from Tulsa, Okla., and Monroe, La.

Dallas and Tulsa report increases in the underlying leases of hotels.

Dallas reports that one-third of suburban retail and industrial structures show gradually increasing rents.

Increases of from 15 to 25 percent are reported for downtown retail store buildings and rent increases for industrial space of from 10 to 20 percent above pre-war levels.

The Houston, Tex., office reported a slight increase in all commercial rents and substantial increases generally in commercial rents are reported from Abilene, Tex.

Our Tulsa, Okla., office reports that office building rents have increased on an average of $5 a room.

Region No. 6, headquarters at Chicago, Ill., and comprising the States of Illinois, Iowa, Minnesota, Nebraska, North Dakota, South Dakota, and Wisconsin.

Our Chicago office has reported that well-established merchants having leases expiring are being asked to pay substantial rent increases. Increases in office rent, that is, office space rent, are getting to be more numerous, but apparently not serious as yet.

Good industrial space is scarce, and rents are reported on the increase.

Milwaukee, Wis., reports no vacancies in industrial space, and a trend toward increase of from 5 percent to 25 percent upon renewal of leases.

Other cities in the region reporting increases in commercial rents and complaints are Eau Claire, Wis.; Burlington, Iowa; Des Moines, Iowa; Sioux Falls, S. Dak.; Manitowoc, Wis.; Gary and Hammond, Ind.; Oshkosh and Fond du Lac, Wis.; and Rapid City, S. Dak.



Reports from these areas relate principally to retail stores, warehouse, and storage space.

Minneapolis, Minn., reports that there have been a number of rather serious rent increases in two categories of property.

One is downtown office buildings. The second is warehouse and loft storage space.

It is reported that the most vigorous complaints in regard to office space rentals have come from physicians and dentists.

It is reported that, due to war work, the manufacturers in Minneapolis, Minn., find that the city is extremely short of warehouse and storage space, and premiums are being paid for this space in all portions of the city.

The regional rent executive in Chicago reports that most cases where applications for price increase have been based at least in part on rent increases have arisen in service and restaurants, and that about 20 or 25 cases have arisen to date in 1944.

In a number of these the increase in rent was substantial in over-all costs.

Region No. 7, with headquarters at Denver, Colo., comprises the States of Colorado, Idaho, Montana, New Mexico, Utah, and Wyoming.

In Denver the principal complaints are from commercial garages and service establishments.

The Tucson, Ariz., office reports receiving from 100 to 150 complaints in the past 6 months including warehouses, large and small store buildings, and office space.

Phoenix, Ariz., reports that while there have been a few unusually high increases in office rents, the increases in office space rentals average about 10 percent above pre-war levels. Rather sharp increases in rentals in office buildings and some store properties in Albuquerque, N. Mex., have been called to my attention.

Region No. 8, with headquarters at San Francisco, Calif., comprises the States of Arizona, California, Nevada, Oregon, and Washington.

As Mr. Bowles indicated here today, in this region on our west coast, we have had considerable pressure and it is becoming more severe.

With respect to Los Angeles, Calif., the report is that in the small business structures there have been increases in rents varying from 30 percent to 100 percent per month. Larger structures are usually leased on a percentage basis, and in most cases the percentage has been increased at the expiration of the leases.

There is a general advance in rentals on heavy manufacturing property in case of new leases. Warehouses, loft space for light manufacturing or storage and jobbers' structures show a greater increase varying from 20 percent to 300 percent. A survey of 150 office and professional buildings lists a general increase in rents in 45 buildings. The secretary of the Building Owners and Managers Association states that he estimates a general increase in office rents of 10 percent to 12 percent in the last 3 years.

There are quite a number of cities and communities in that region that have reported numerous complaints particularly in the retail-store field. They are: Bisbee, Ariz.; Las Vegas, Nev.; Yakima, Wash.;

Marysville, Calif.; Visalia, Calif.; Tacoma, Wash.; Stockton, Calif.; Fresno, Calif.; Sacramento, Calif.; Portland, Oreg.

With particular reference to Portland, Oreg., there has been an average of three calls per day for the past 6 months either from tenants of commercial property who complain of increases or express fear of such, or from landlords who wish to increase their rent. Most complaints come from small shops and stores outside of the central business district.

Modesto and Merced, Calif., report that a number of increases have occurred, generally in rentals to small businesses and professional men, one groceryman's rent having been doubled at the renewal of his lease.

Also, in California generally, there have been complaints from small businesses and in regard to professional space.

San Diego, Calif.: There has been a very decided increase in the rents of commercial properties. A very few leases have been renewed at not only an increase of from 50 percent to 100 percent, but also a percentage-of-profit clause.

In a huge majority of renewals it is almost impossible to obtain a lease on a small location for more than 1 year.

Numerous complaints have come from Monterey, Calif.; Spokane, Wash.; San Bernardino, Redlands, and Riverside, Calif., as well as San Luis Obispo, Calif.

As to San Francisco, Calif., there have been frequent instances of increased commercial rents, particularly in the case of underlying leases on rooming houses and hotels. That is also true on warehouse storage space.

Those are about the significant points geographically that this report indicates.

I would like, also, Mr. Chairman, to supply for the record material and correspondence similar to that that went in the record in connection with the Small Business Committee, if the committee would be interested in that.

The CHAIRMAN. I think we would be. I would like to have that furnished for the record.

Mr. CARSON. Unless you have some questions, that is all.

Mr. BOWLES. I would like to have Mr. Field make a short statement.

## STATEMENT OF RICHARD H. FIELD, GENERAL COUNSEL, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.

Mr. FIELD. Mr. Chairman, I want to make one comment, in answer to a suggestion of Senator Radcliffe a few minutes ago on the general question of the complexity of the problem.

I think I should inform the committee with respect to that problem that in Canada commercial rents have been controlled since October of 1941.

We have talked, within the last week, to the former Rent Administrator of Canada, who very kindly came here and gave us the benefit of some of their experience.

In Canada, they used the method of going right across the board with their control. They did not go in selectively, as we think would be desirable to do it here. They have, however, found that it was



workable, effective, and not unduly complicated and complex from the point of view of administration.

Now, our proposal, as was indicated to the Senator, was to do it a little differently. We would put more of a burden on the decision as to whether to go into a rent area based on a survey of the things we have mentioned. By reason of having put a lot of emphasis on the selectivity at the beginning, we would greatly reduce the administrative expense, as well as the burden on the people and the cost of the operation in general.

We think, on the whole, it would be a more economical thing in time, money, and manpower, as well as more sensible, in view of the economic factors, to do it that way in the United States.

In Canada they have had comparatively little difficulty because, by and large in Canada there has been very little pressure. Even in a city the size of metropolitan Toronto, which has approximately a million population, it has not existed to any great degree.

The CHAIRMAN. How many men would it require there?

Mr. FIELD. They have, I believe, only three people, three people above the clerical level, to administer their program for the whole city of Toronto.

If you do not have the registration and so forth it would cut down the number of people required.

Mr. BOWLES. As I said before, if the firm does not want to raise the rent, they have no problem at all.

Mr. FIELD. In speaking with regard to the use of the word "freeze" I think that we should make it clear as to what is included in that term. It would contemplate not only a freeze of existing rents but a freeze of existing leases. That is, if you have an existing percentage lease, it would continue. If you had a step-up lease, or a step-down lease, or any variety of lease we would freeze or continue the rental during the term of the lease under the provisions of that lease. The lease would not be disturbed at all.

Senator RADCLIFFE. Suppose you have a 5-year lease, of which 4½ years has run, the matter of renewal becomes a large question.

Mr. FIELD. Yes, Senator.

Senator RADCLIFFE. Let us assume that the lease was fixed at a period when operating expenses were very much less than they are at the present time. Would the fact that the owner contemplates some increase be such a factor as you would consider in such a case?

Mr. FIELD. Yes. As has been said earlier, Senator, I would expect the way it would be done, whether written in the law itself, or whether done administratively, would be to permit an increase up to comparable levels for that type of occupancy.

It would mean, of necessity, coming to us with an application stating the amount of the increase sought, and having the level of the comparable rents determined after proper consideration of such an application.

There has now been a period of 2½ years or more of control of prices generally.

On the average, I think—if I am not correct, Mr. Carson will tell me—I think approximately one-third of the commercial leases expire each year, and therefore there would be two-thirds that probably have expired since prices generally were the subject of control.

Therefore, the level of comparable rents would generally be fairly well up. Of course, I am not speaking of long-term leases expiring now or shortly hereafter. They would obtain considerable relief upon consideration by the O. P. A., up to comparable levels which would be, in our judgment, fair to everybody.

Mr. BOWLES. The first thing we assume is that in the area rents are not abnormal, and nothing would happen. Therefore, nothing would happen unless we had some reason to believe otherwise. And that would have to be presented to us, of course.

If we were in an area and a landlord wanted to charge a higher rent at the end of his 5-year lease, he would come to us and we would examine the rents of similar types of buildings and probably give him a duly increased rent based on that examination.

Senator RADCLIFFE. Of course, there may be many factors. You may make low rents with a new concern with the idea that later on there should be an adequate rent when the new business becomes established.

Mr. FIELD. I think that is the kind of a situation that would be taken care of by comparable rental determination.

Senator RADCLIFFE. It should be.

Mr. FIELD. There are two cases which I think if we had to move into an area it would be important that we be able to consider.

One is, as Senator Wagner has stated, instances of an abnormally long-term lease as a condition of renewal. I think that that would be a thing that we would need the power to handle, if we had to move into an area, because the rent might be all right and be perfectly satisfactory under the present set-up, but when peace levels generally come back it might become extremely burdensome if there were a long-time lease there.

It seems to us that one of the most serious difficulties has been instances of requiring a long-term lease at a level which the tenant might well take care of at this time but might very well become too high later on.

Also, I think, as long as we are going to make this thing fair to everyone—and I think it should be—there would be some necessity of protecting against evictions which I take it we would have the power to do, in any instances along that line.

Senator RADCLIFFE. "In arriving at commercial rents," that is very comprehensive, it could mean any kind or type of business.

Mr. BOWLES. We would exempt farmers.

Mr. FIELD. As it is presently drafted, it is very broad, but we would want an exemption for any property used for agricultural purposes.

The CHAIRMAN. That will be taken up at our executive meeting tomorrow.

Senator RADCLIFFE. That is one of the ideas I had in mind.

Mr. FIELD. Exempting agricultural property.

The CHAIRMAN. That is a matter that can be covered in executive session.

Senator RADCLIFFE. In here it just says office buildings, and includes office buildings. Something may have to be done about that.

The CHAIRMAN. It is a matter for the committee to decide as to whether it would include office buildings or not.

Mr. FIELD. Yes; I see your point.



Mr. BOWLES. The main thing I think we have here is a situation which is not acute today, except in some areas, but which is obviously growing, and it is a question really of whether the Congress is going to decide it is time to move now, knowing the situation is going to be rapidly worse, or moving later on.

The CHAIRMAN. In other words, prevention rather than cure.

Mr. BOWLES. Prevention, which is a much more orderly way of doing it, since the problem is now recognizable, and we know what is going to happen.

We have learned how very hard and difficult a task it is when we try to push a rent or price back down again.

Senator BUTLER. Are you referring to your experience in meat control?

Mr. BOWLES. Ordinarily when we have done it, we do not like it. You are pretty certain you are going to find a lot of higher rents during the winter, a lot of them. This can be avoided by relatively painless measures.

If you do not do it now you will have to move in sooner or later, and you will be in the position of moving in right now, if you do, while the problem is still young.

The CHAIRMAN. I am going to ask to have put in the record of the committee a report of the committee on general welfare of the City Council of the City of New York, relative to resolution requesting the committee on general welfare to conduct an immediate investigation into the commercial and other rental situations in the city of New York and report back its findings to the council without delay, which says:

The committee on general welfare, to which was referred on September 21, 1944 (minutes, p. 49), a resolution requesting the committee on general welfare to conduct an immediate investigation into the commercial and other rental situation, in the city of New York and report back its findings to the council without delay, respectfully reports:

"A public hearing was held on this resolution by your committee at city hall on September 28, 1944. Several hundred persons attended—most of them aggrieved tenants of commercial and industrial space in Manhattan, and their representatives. Case after case was cited of exorbitant rent increases, oppressive long-term leases entered into under conditions amounting to duress, unwarranted termination of existing tenancies to take effect at the expiration of current leases, bonus payments for renewals, space being rented over the heads of present occupants without previous notice or while negotiations for renewals of expiring leases were pending, and other unreasonable demands and practices by landlords and their agents. Written complaints are continuing to be received almost daily by your committee.

"Among those appearing in protest of a commercial rent profiteering were the American Business Congress—an organization composed of small businessmen—the war committee of the Federal Bar Association, which conducted an inquiry into the commercial rent situation in New York City, the United Tenants League of Greater New York, the Mayor's Committee on Rents, the Joint Board of the International Ladies' Garment Workers Union, the Millinery Workers Union, the Congress of Industrial Organizations, American Federation of Labor, United Popular Dress Manufacturers' Association, National Knitted Outerwear Association, Textile Distributors Institute, Inc., and others.

"The picture is not a healthy one from the standpoint of landlord and tenant relations, business and consumer, or the welfare of the city. Rents have been increased as much as 300 percent and higher in loft and business buildings. These increases are not based on any mathematical formula, but are obviously arbitrary in most cases. It is apparent that landlords are taking advantage of the serious shortage of commercial space and the hapless predicament in which tenants find themselves in the face of expiring leases with no other available or suitable accommodations to be had.

"Thousands of manufacturing and business concerns are affected, particularly in midtown Manhattan, and many, it is feared, will be obliged to move their plants away from New York City to other States; in fact, we are informed that some have already moved, and other small plants and businesses may be forced to close down due to their inability to meet the steep increases and the expense involved in moving to distant places. Some of these concerns have been in the one location for as many as 15 to 18 years, and the fact that they were satisfactory tenants appears to be of no interest to their landlords. The employees of the firms that move to other States or close down will be obliged to seek other employment.

"There are other evils inherent in abnormal rent increases: Because of his higher overhead costs, the manufacturer will be compelled to raise the price of his goods, which will lead to higher price ceilings or the temptation to engage in black-market practices, and inevitably the breaking down of price control, with resulting inflation.

"Some property owners appeared at the hearing, in person and by their representatives, and sought to justify their demands on the basis of increased operating and maintenance costs. The fallacy in that argument is that these additional costs are only a very small fraction of the total increased rent rolls in most of the cases complained of. Others claimed to be entitled to high profits now because of losses resulting from vacancies and low rents in the depression years.

"However, many of the buildings in which rents have reached a new high, and long-term leases are being exacted, are in the hands of new owners who had no connection with the property during the depression, but acquired them recently with a comparatively small cash investment; these are the wartime speculators and profiteers. In the case of the buildings that have not changed ownership, the owners are doubtlessly influenced by the large profits being made by these short-term investors.

"Not all landlords can be charged with rent gouging. Some have been reasonable in their demands, and there are cases where no increases have been requested. Many landlords have indicatd their willingness to accept a fair advance, based on operating costs and revenues, and tenants have expressed a willingness to pay a reasonable increase to cover increased operating costs and insure a fair return to the owners. Unfortunately, however, there are a sufficient number of rent-gouging owners of commercial buildings in the city of New York housing thousands of tenants in the garment, knitwear, textile, war and other industries, who in turn employ thousands of workers, all vitally affected by the problem of spiraling rents, to make the situation grave and alarming.

"Manufacturers of war goods as well as civilian goods have been subjected to these unreasonable demands. In some of the examples cited, the Government was obliged to pay the increased rent to avoid stoppage of manufacture of war equipment due to the tenants' inability or justifiable refusal to accede to the landlords' demands.

"The Mayor's Committee on Rents has admitted its inability to scope with the problem, many of the landlords called before it having refused to accept that committee's recommendations.

"The United States Senate Small Business Committee, which has just completed its study of 1,500 complaints of excessive rentals, with 1,300 of that number from New York City, has reported that the problem is local rather than national in scope and, therefore, is not a matter for Federal action.

"Unfortunately, this council has not the power or authority to enact legislation affecting rents.

"The New York State Joint Legislative Committee Investigating Commercial Rents, which was appointed early this year, held its first public hearing in New York City on October 5, 1944—after the hearing held by your committee—and the State committee has not yet completed its investigation. Under the circumstances, your committee believes that no further hearings should be held by it for the present, but recommends that this committee be authorized by your honorable body to make available to the joint legislative committee the testimony, information, and other data in its possession on the subject of commercial rents in New York City, and that a copy of this report be transmitted to the joint legislative committee.

"William A. Carroll, Anthony J. DiGiovanna, Louis Cohen, Edward Vogel, Michael J. Quill, Alfred J. Phillips, James A. Phillips, Stanley M. Isaacs—Committee on General Welfare."



On motion of Mr. Carroll, seconded by the vice chairman, the foregoing report was made a general order for the day.

Following discussion by Mr. Carroll, Mr. Klein, and the vice chairman, the president put the question whether the council would agree with, and adopt, such report, which was decided in the affirmative by the following vote: Affirmative—Messrs. Cacchione, Carroll, Cohen, Davis, DiGiovanna, Earle, Isaacs, Klein, A. Phillips, J. Phillips, Quill, Quinn, Schick, Vogel, and the vice chairman—15.

And in closing I would like to say that 24 years ago, when I was on the bench, after I left the legislature, a matter came before me on the question of rent control. It was in the case of *Ullmann Realty Co.* v. *Tamur*, reported in volume 113 Miscellaneous Reports at page 538, and I said then, among other things:

I cannot subscribe to any doctrine that hinders or restrains our legislative power from enacting a clear and reasonable design to relieve the actual distress of the thousands of tenants in this community who would otherwise be made homeless. I think their rights to homes in which to live during an emergency of the kind which now confronts us is transcendently paramount to any private rights of property. The protection of their health and morals commands a vastly more important position, to my mind, and of far greater moment to the welfare of the State than any strict adherence to the individual private rights. Exposure, disease, misery would be the natural consequence and disaster to ensue if owners were permitted to turn the occupants of their houses into the streets upon the latter's inability to meet the oppressive and excessive demands that are now constantly, and as a matter of public knowledge, being made. With a clear grasp of the probabilities of the situation the legislature said that temporarily and during these unprecedented conditions the absolute right of owners to deal with property which they have hitherto used in the express business of sheltering and housing the public must bow and submit to regulation. Our constitutional government is not an impotent one. Not so readily can its arms of protection for those whose benefit it is imposed be bound and helpless; its scope and vision is wide; its power flexibility adaptable; its aim and protection of human rights. Our lawmaking body is restrained alone by the rule of reason as to the means adopted for the accomplishment of its purposes. To deny it such powers would be subversive of the principles upon which it was founded and of the postulates of dedication its creators avowed. It would deservedly be an indictment against and a reproach to our entire system of government.

That was true then, and it is true today.

I am calling a meeting tomorrow at 10:30 of the committee for the purpose of considering this legislation that will be an executive committee meeting.

Senator BUTLER. If a careful investigation of the whole rental situation would indicate that if the rentals have not increased more than 15 percent, say, 10 percent, or 15 percent, percentagewise, which is in general what the wages have increased, so I am informed, would you say that we would still have a problem there?

Mr. BOWLES. If in no case it went up more than 10 percent or 15 percent, I would not think so, necessarily, but if we had that for the entire country, that would be a different matter, because in some places it would probably only be 2 percent and in other places it might be 500 percent.

Senator BUTLER. Of course, it is possible to find out the facts in every individual case, but you do not think that the general average would be like that?

Mr. BOWLES. You might have a major rise where it is very serious, and it might be a low increase where it would be quite immaterial.

Frankly, I am worried much more about the future than I am about the present.

65560—44——18

(The following analysis was submitted for the record by the Office of Price Administration:)

ANALYSIS OF COMMERCIAL RENT CORRESPONDENCE RECEIVED BY THE NATIONAL OFFICE OF THE OFFICE OF PRICE ADMINISTRATION FROM APRIL 1943 TO DECEMBER 1944

An analysis of 222 letters, representing correspondence received by the Office of Price Administration from April 1943 through November 1944, pertaining to business rent control, shows that out of mail from 33 States, 97 letters or 34 percent originated in New York, all from New York City. Complaints from the remainder of the States ranged as follows:

| | |
|---|---|
| California | 15 |
| Texas | 12 |
| Pennsylvania | 9 |
| Missouri | 8 |
| Illinois | 7 |
| Kentucky, Indiana, Michigan—each | 6 |
| Virginia, Alabama—do | 5 |
| Louisiana, Georgia, Ohio, Florida—do | 4 |
| Minnesota, New Jersey, North Carolina—do | 3 |
| Oklahoma, Massachusetts, Tennessee, Wisconsin, Connecticut, Oregon—do | 2 |
| Arkansas, Iowa, Maine, Maryland, Montana, New Mexico, South Carolina, West Virginia, District of Columbia—each | 1 |

By lines of trade—in New York City—manufacturing was responsible for the greatest number of complaints—23 from clothing manufacturers, 27 from manufacturers of items such as luggage, lamp shades, novelties, fabrics, etc.; and 6 from manufacturers of machine tools and metal products. Next highest was office space, 12 letters.

By lines of trade for the rest of the country, dry goods and apparel stores, and restaurants and hotels were highest with 12 letters each, followed by auto parts and service stations, 10 letters; grocery stores 7; and office space 11 letters.

Of those reporting the rent involved (in New York City 34 did not indicate and of the rest of the country, 48 did not indicate)—New York City: 29 firms reported 10 to 49 percent rent increases; 23 firms reported 50 to 99 percent rent increases; 10 firms reported rent increases of from 100 to 149 percent; 1 firm reported a rent increase of 200 percent and over.

For the rest of the country: 28 firms reported rent increases of from 50 to 99 percent; 26 firms reported rent increases of from 10 to 49 percent; 13 firms reported rent increases of from 100 to 149 percent; 5 firms reported rent increases of from 150 to 199 percent; 5 firms reported rent increases of from 200 percent and over.

*Analysis by State of origin*

| | | | |
|---|---|---|---|
| Alabama | 1 | New Jersey | 3 |
| Arkansas | 5 | New Mexico | 1 |
| California | 15 | New York (New York City, 66) | 97 |
| Connecticut | 2 | North Carolina | 3 |
| Florida | 4 | Ohio | 4 |
| Georgia | 4 | Oklahoma | 2 |
| Illinois (Chicago, 1) | 7 | Oregon | 2 |
| Indiana | 6 | Pennsylvania (Philadelphia, 6) | 9 |
| Iowa | 1 | South Carolina | 1 |
| Kentucky | 6 | Tennessee | 2 |
| Louisiana | 4 | Texas | 12 |
| Maine | 1 | Virginia | 5 |
| Maryland | 1 | West Virginia | 1 |
| Massachusetts | 2 | Wisconsin | 2 |
| Michigan (Detroit, 4) | 6 | District of Columbia | 1 |
| Minnesota | 3 | | |
| Missouri | 8 | Total | 222 |
| Montana | 1 | | |



*By place of origin, type of business, amount of rent increase*

REGION 1

| State and city | Type of business | Amount of increase | |
|---|---|---|---|
| | | Amount | Percent |
| Connecticut: | | | |
| Granby | Unknown | | |
| Waterbury | Factory space | | |
| Maine: Lisbon Falls | Unknown | $10 per month | |
| Massachusetts: | | | |
| Boston | Factory space | | 33 |
| Fall River | do | | 50 |

REGION 2

| | | | |
|---|---|---|---|
| Maryland: Hyattsville | Lunch room | $300 to $600 per year | 100 |
| New Jersey: | | | |
| Guttenberg | Tailor | | |
| Hasbrouck Heights | Garage | | |
| Pequannock | Machine shop | | |
| New York: | | | |
| Brooklyn | Unknown | | 25 |
| Do | do | | |
| New York City | Manufacturer of yarns | $12,500 to $17,900 per year | 43 |
| Do | Manufacturer of luggage | | 80 |
| Do | Manufacturer of narrow fabrics | | 64 |
| Do | Manufacturing | | 115 |
| Do | Screw-machine products | | |
| Do | Unknown | | |
| Do | Stainless metal foils | | 29 |
| Do | Manufacturer of novelties | | 50 |
| Do | Law office | $1,850 to $2,000 per year | 8 |
| Do | Dress manufacturers Association | | |
| Do | Printing shop | | 52 |
| Do | Lamp-shade manufacturer | $2,625 to $4,900 per year | 86 |
| Do | Unknown | | |
| Do | Manufacturer of infant wear | $275 to $550 per month | 100 |
| Do | Unknown | | 115 |
| Do | Printing shop | $1,300 to $2,400 per year | 84 |
| Do | Dyers and bleachers | | 33 |
| Do | Manufacturer of veilings | $1,500 to $1,800 per year | 20 |
| Do | Embossed labels | $2,400 to $3,400 per year | 41 |
| Do | Manufacturer of children's clothing | $2,400 to $3,300 per year | 37 |
| Do | Lamp and shade manufacturer | $2,800 to $3,950 per year | 41 |
| Do | Machine tools | | 75 |
| Do | Manufacturer of novelty jewelry | $3,000 to $6,800 per year | 127 |
| Do | Textile manufacturer | | 20 |
| Do | Manufacturer of men's neckwear | | |
| Do | Manufacturer of men s sportswear | $5,000 to $6,750 per year | 35 |
| Do | Manufacturer of men's neckwear | | |
| Do | Manufacturer of electrical equipment | | 50 |
| Do | Manufacturer of surgical instruments | | 50 |
| Do | Manufacturer of men's clothing | | |
| Do | Manufacturer of luggage | | |
| Do | Manufacturer of hats | | 100 |
| Do | Manufacturer of belts and suspenders | | |
| Do | Fabric yarns manufacturer | $200 to $350 per month | 75 |
| Do | Manufacturer of narrow ribbons | | |
| Do | Attorney | | |
| Do | do | | |
| Do | Unknown | | 30 |
| Do | do | | |
| Do | Cigar store | | |
| Do | Manufacturer of fabrics | $8,600 to $13,000 per year | 51 |
| Do | Unknown | $600 per year | |
| Do | Manufacturer of millinery ornaments | $80 to $150 per month | 87 |
| Do | Manufacturer of radio equipment | $2,000 to $3,000 per year | 50 |
| Do | Unknown | $900 to $1,350 per year | 50 |
| Do | Manufacturer of boys' clothing | | |
| Do | Advertising agency | | 25 |
| Do | Grocery store | | 20 |
| Do | Physician | $1,600 to $2,300 per year | 43 |
| Do | Attorney | | |
| Do | Unknown | | 33⅓ |
| Do | Attorney | | 66⅔ |
| Do | Manufacturer of ladies' suits | $85 to $125 per month | 47 |
| Do | Wholesale drugs | | 50 |
| Do | Moving-picture broker | $100 to $175 per month | 75 |
| Do | Public stenographic service | | |
| Do | Dress manufacturer | $85 to $135 per month | 57 |
| Do | Clothing manufacturer | $3,000 to $6,500 per year | 116 |

*By place of origin, type of business, amount of rent increase*—Continued

REGION 2—Continued

| State and city | Type of business | Amount of increase | |
|---|---|---|---|
| | | Amount | Percent |
| New York—Continued. | | | |
| New York City—Continued. | | | |
| Do | Manufacturer of children's clothing | | |
| Do | Clothing contractors | | |
| Do | Drapery manufacturing | | |
| Do | Printers | $2,400 to $4,000 per year | 66⅔ |
| Do | Brush manufacturer | | |
| Do | Manufacturer of textiles | | |
| Do | Strainer manufacturer | | |
| Do | Handkerchief manufacturer | $900 yearly increase | 43 |
| Do | Publication | | 20 |
| Do | Warehousing | | |
| Do | Photo engraving | $5,100 to $8,000 per year | 57 |
| Do | Storage warehouse company | | 60 |
| Do | Office space | $10 per month | |
| Do | Gasket manufacturing | | 200 |
| Do | Restaurant | | |
| Do | Textile manufacturer | $3,400 to $4,500 per year | |
| Do | Hat manufacturer | | 40 |
| Do | Sportswear manufacturer | $210 to $500 per month | 138 |
| Do | Diamond cutters | | 15 |
| Do | Coat and suit manufacturer | $1,800 to $3,600 per year | 100 |
| Do | Hat company | $1,440 to $1,770 per year | 23 |
| Do | Dress company | $1,824 to $2,074 per year | 14 |
| Do | do | $1,600 to $1,900 per year | 18 |
| Do | do | $3,174 to $3,624 per year | 14 |
| Do | Buttons and novelties | $1,800 to $2,200 per year | 33 |
| Do | Uniform cap company | $1,700 to $2,200 per year | 29 |
| Do | Motor sales | | 83⅓ |
| Do | Blouses | $1,924 to $2,224 per year | 16 |
| Do | Fur coats | | |
| Do | Pleaters, stitchers, and embroiderers | | |
| Do | Parlor frame company | $1,800 to $3,900 per year | 116 |
| Do | Manufacturer and importer | $960 to $1,350 per year | 40 |
| Do | Imports and exports | | |
| Do | Bristle and hair | | |
| Do | Screwdrivers, auto accessories | $4,600 to $10,000 per year | 117 |
| Do | Furniture | $180 to $250 per month | 39 |
| Do | Apparel stores | | |
| Do | Calendar manufacturer | | 50 |
| Pennsylvania: | | | |
| Irwin | Unknown | | |
| Philadelphia | Machine tools | | 40 |
| Do | Brass foundry | $35 to $40 per month | 14 |
| Do | Physician | | |
| Do | Drug store | $65 to $105 per month | 61 |
| Do | do | $200 to $300 per month | 50 |
| Do | Music store | $150 to $250 per month | 67 |
| Do | Adding machines | | |
| Erie | Jewelers | | |

REGION 3

| | | | |
|---|---|---|---|
| Indiana: | | | |
| Bloomington | Heavy machinery | | |
| Evansville | Restaurant | $50 to $100 per month | 100 |
| Hammond | Manufacturer of conveyors | $92.50 to $375 per month | 265 |
| Indianapolis | Barber | $15 to $30 per month | 100 |
| Do | Paper company | | 50 |
| Lafayette | Hotel cigar stand | | |
| Kentucky: | | | |
| Corbin | Grocery shop | | 100 |
| Cumberland | Beauty shop | $42.50 to $75 per month | 76 |
| Hopkinsville | Unknown | | |
| Lebanon | do | $20 per month | |
| Louisville | Navy contracts | $175 to $333.33 per month | 89 |
| Nicholasville | Shoe shop | | |
| Michigan: | | | |
| Detroit | Gas station | $275 to $515 per month | 87 |
| Do | Law office | | 35 |
| Do | Dry goods | | 25 |
| Do | Service station | | |
| East Tarvas | Farm machinery | | |
| East Tawas | Auto and farm supplies | $35 to $50 per month | 43 |



*By place of origin, type of business, amount of rent increase*—Continued

REGION 3—Continued

| State and city | Type of business | Amount of increase | |
|---|---|---|---|
| | | Amount | Percent |
| Ohio: | | | |
| Cleveland | Food | | |
| Do | Restaurant | $40 to $60 per month | 50 |
| Do | Physician | $95 to $130 per month | 37 |
| Dayton | Medical supply company | | |
| West Virginia: Charleston. | Store room | $60 to $100 per month | 67 |

REGION 4

| | | | |
|---|---|---|---|
| Alabama: | | | |
| Decatur | Unknown | | 100 |
| Mobile | Grocery store | $35 to $50 per month | 43 |
| Do | Unknown | | |
| Talledega | Dry cleaner | $15 to $45 per month | 200 |
| Tuscumbia | Dry goods store | | |
| Florida: | | | |
| Fort Myers | Men's wear shop | $125 to $175 per month | 40 |
| Jacksonville | Real estate | | 75 |
| Pensacola | Uniforms | | |
| Miami | Cocktail lounge | | |
| Georgia: | | | |
| Atlanta | Office space | $500 to $600 per month | 20 |
| Columbus | Candy manufacturer | $75 to $235 per month | 213 |
| Do | Clothing store | $150 to $325 per month | 116 |
| Savannah | Ice cream store | $25 to $65 per month | 160 |
| North Carolina: | | | |
| Burlington | Photo studio | | |
| Columie | Theater | $75 to $150 per month | 100 |
| Rocky Mount | Blacksmith | $3 per month | |
| South Carolina: Columbia. | Radio sales | | 30 |
| Tennessee: | | | |
| Kingsport | Bicycle repair shop | $40 to $100 per month | 150 |
| Tullahoma | Manufacturer of recreation equipment | $50 to $70 per month | 40 |
| Virginia: | | | |
| Norfolk | Unknown | | |
| Do | Restaurant | | |
| Portsmouth | Dry-goods store | $115 to $250 per month | 117 |
| Do | Dress shop | $500 to $600 per month | 20 |
| Shenandoah | Meat shop | | |

REGION 5

| | | | |
|---|---|---|---|
| Arkansas: Little Rock | Dress shop | $300 to $500 per month | 66⅔ |
| Louisiana: | | | |
| De Ridder | Barber | $15 to $40 per month | 166 |
| New Orleans | Union headquarters | | |
| Do | Compress company | | |
| Ruston | Shoe repair | | |
| Missouri: | | | |
| Kansas City | Real estate | | 50 |
| Lake Charles | Unknown | | |
| Lewiston | Store buildings | | |
| St. Joseph | Popcorn packaging | $75 to $200 per month | 166 |
| Do | Restaurant | $35 to $45 per month | 28 |
| St. Louis | Delicatessen | $40 to $60 per month | 50 |
| Do | Hardware store | | 75 |
| Vanduser | Restaurant | $10 to $12.50 per month | 25 |
| Oklahoma: | | | |
| Eldorado | Drug store | $25 to $30 per month | 20 |
| Pryor | Restaurant | $40 to $100 per month | 150 |
| Texas: | | | |
| Brownsville | Tailor | | |
| Canutillo | Unknown | | |
| Dallas | Shoe store | | 50 |
| Do | Barber | $25 per month | |
| Dallas | Accounting firm | | |
| Fort Worth | Unknown | | 100 |
| Gainesville | Grocery store | $75 to $150 per month | 100 |
| Houston | Tailor | $27.50 to $35 per month | 27 |
| Levelland | Dry goods | $100 to $140 per month | 40 |
| San Antonio | Hat business | $18 to $30 per month | 66⅔ |
| Do | Dental supply company | | |
| Waco | Garage | $65 to $100 per month | 54 |

*By place of origin, type of business, amount of rent increase*—Continued

REGION 6

| State and city | Type of business | Amount of increase | |
|---|---|---|---|
| | | Amount | Percent |
| Illinois: | | | |
| Chicago | Manufacturing | $40 to $75 per month | 87½ |
| Fairfield | Beauty shop | $55 to $85 per month | 55 |
| Granite City | Dry cleaner | $100 to $150 per month | 50 |
| Havana | Hotel | $25 to $37.50 per month | 50 |
| Do | Unknown | | |
| Highland Park | Physician | $10 to $15 per month | 50 |
| Sidell | Harness and shoe repair | $75 to $125 per month | 150 |
| Iowa: Des Moines | Unknown | | |
| Wisconsin: | | | |
| Neillsville | Auto salesroom | $35 to $90 per month | 157 |
| Randolph | Restaurant | $30 to $40 per month | 33⅓ |

REGION 7

| | | | |
|---|---|---|---|
| Montana: Wibaux | Auto sales and service | $32.50 to $40 per month | 23 |
| New Mexico: Bayard | Drug store | | |

REGION 8

| | | | |
|---|---|---|---|
| California: | | | |
| Burbank | Grocery | | |
| Santa Ana | Shoe shop | $10 per month | |
| San Diego | Dry goods | $75 to $100 per month | 33⅓ |
| San Francisco | do | | 110 |
| Do | Unknown | | |
| Do | Storage | | |
| Santa Monica | Dress shop | $375 to $700 per month | 54 |
| Los Angeles | Unknown | | |
| Do | Manufacturer, sport clothes | $250 to $400 per month | 60 |
| Oakland | Office space | | 33⅓ |
| Oceanside | Dry goods | | 600 |
| Richmond | do | | 33⅓ |
| Do | Barber | | 600 |
| Do | Furniture store | | |
| Riverside | Auto parts, garage | $250 to $350 per month | 40 |
| Oregon: | | | |
| Portland | Body works | | 45 |
| Do | Shoe store | | |
| District of Columbia, Washington. | Unknown | $40 to $75 per month | 87½ |

*Kinds of business, April 1943, November 1944*

| Trade | New York City | Other | Total |
|---|---|---|---|
| MANUFACTURING | | | |
| Clothing | 23 | 4 | 27 |
| Yarns, luggage, lamp shades, novelties | 6 | | 6 |
| Fabrics, etc | 21 | 3 | 24 |
| Machine tools, metal products | 6 | 5 | 11 |
| Food processing | | 4 | 4 |
| Diamond cutter | 1 | | 1 |
| Furniture | 1 | 1 | 2 |
| Hats | 3 | | 3 |
| Heavy construction machines | | 1 | 1 |
| Machines | | 1 | 1 |
| Office equipment | | 1 | 1 |
| Unknown | | 1 | 1 |
| Total | 61 | 21 | 82 |
| Office space | 12 | 11 | 23 |
| Dry goods and apparel | 1 | 12 | 13 |
| Restaurant and hotel | 1 | 12 | 13 |



*Kinds of business, April 1943, November 1944*—Continued

| Trade | New York City | Other | Total |
|---|---|---|---|
| MANUFACTURING—Continued | | | |
| Auto parts and service station | 1 | 10 | 11 |
| Grocery store | 1 | 7 | 8 |
| Jewelry store | | 1 | 1 |
| Storage | 2 | 1 | 3 |
| Tailor | | 2 | 2 |
| Beauty shop and barbers | | 5 | 5 |
| Paper and printing | 5 | 1 | 6 |
| Drug stores | | 5 | 5 |
| Other retail stores | 2 | 3 | 5 |
| Wholesale | 1 | 2 | 3 |
| Shoe shop | | 4 | 4 |
| Dry cleaner | | 2 | 2 |
| Real estate office | | 2 | 2 |
| Theaters | 1 | 1 | 2 |
| Furniture store | | 1 | 1 |
| Shoe repair | | 2 | 2 |
| Blacksmith | | 1 | 1 |
| Photo studio | | 1 | 1 |
| Unknown | 9 | 18 | 27 |
| Grand total | 97 | 125 | 222 |

*Percentage of increase in rents involved*

| Percentage of increase | New York City | Other | Total |
|---|---|---|---|
| 10 to 49 percent | 29 | 26 | 55 |
| 50 to 99 percent | 23 | 28 | 51 |
| 100 to 149 percent | 10 | 13 | 23 |
| 150 to 199 percent | | 5 | 5 |
| 200 percent and over | 1 | 5 | 6 |
| Not indicated | 34 | 48 | 82 |
| Total | 97 | 125 | 222 |

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STATEMENT BY COUNSEL ON BEHALF OF TRINITY BUILDINGS CORPORATION OF NEW YORK TO THE SENATE BANKING AND CURRENCY COMMITTEE

United States Realty & Improvement Co., debtor, a corporation engaged in the holding and operating of real estate and interests in real property directly and through subsidiary corporations, is presently being reorganized under the provisions of chapter X of the National Bankruptcy Act, and is, therefore, subject to the supervision and jurisdiction of the United States District Court for the Southern District of New York.

The debtor referred to is the owner of all of the equity stock of the Trinity Buildings Corporation of New York, the owner in fee of 111 Broadway and 115 Broadway, New York, N. Y.

111 Broadway is a 21-story, fireproof office building, with basement, subbasement, and engine room, constructed in 1905 on approximately 18,936 square feet and has 280,859 square feet of rentable area.

115 Broadway is a 21-story, fireproof office building, with basement, subbasement, and engine room, constructed in 1907 on approximately 16,592 square feet and has 254,068 square feet of rentable area.

Both of the aforesaid properties are covered by a first mortgage in the amount of $3,710,500. First mortgage bonds in this amount are held by public holders and are being freely traded in on the over-the-counter market. The bonds bear fixed interest at 3 percent per annum and additional interest of 1 percent per annum to July 1, 1944, and 2 percent per annum to maturity on July 1, 1949. The additional interest is accrued, but not payable before maturity except out of available net earnings.

As of October 31, 1944, there were the following arrears in interest:

| | |
|---|---|
| (*a*) Fixed interest | $93,813.80 |
| (*b*) Additional interest | 231,906.25 |
| Total | 325,720.05 |

As of October 31, 1944, both of the aforesaid buildings were approximately 84 percent rented and had a rent roll of approximately $757,613.50. If the remaining 16 percent of vacant space were rented, it is estimated that the additional rental income would be $153,000. At present rates, the rent roll expectancy, with a 100 percent occupancy, would be $910,613.50. Based on these rents when obtained, the anticipated earnings of the properties would permit the payment of approximately 3 percent of interest on the outstanding first mortgage bonds.

We are opposed to the promulgation of legislation which would freeze, control, or roll-back commercial rents. If, however, this committee deems it necessary to recommend commercial rent control, it should be remedial in nature so that commercial rents will be stabilized on a basis that would be fair and equitable to both landlord and tenant alike. We do not believe, however, that this committee should recommend the enactment of any legislation that would freeze or roll-back commercial rents on a national basis, without taking into consideration individual problems that do exist in countless numbers of properties. There should be provisions in any proposed legislation so that existent evils would be remedied and property owners who have maintained a fair and equitable relationship with their tenants would not be unnecessarily penalized.

In connection with the properties referred to in this memorandum, the ownership has been the same since the buildings were constructed. The statement of arrears indicates that, in spite of a rising real estate market, these properties were unable to pay current interest and accrued additional interest.

If the rents in these properties and others similarly situated were frozen, the net result would be that both ownership and the public holders of first mortgage bonds would suffer substantial financial losses because the fair earning power of the properties would be impaired. The problem that is presented by the properties mentioned in this memorandum undoubtedly repeats itself many times over throughout the entire country.

We respectfully submit that any legislation that may be recommended by this committee, if it deems it necessary, be remedial in nature and that it address itself specifically to any evils that may be uncovered as a result of these hearings.

Dated: New York, November 29, 1944.

Respectfully submitted.

GOLDWATER & FLYNN, Esqs.,

*Attorneys for Trustee of United States Realty and Improvement Company, Debtor. Owners of Equity Stock of Trinity Buildings Corporation of New York. Office and Post Office Address: 60 East Forty-second Street, Borough of Manhattan 17, City of New York.*

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STATEMENT OF PLEATERS, STITCHERS & EMBROIDERERS ASSOCIATION, INC.

I should like to make the following statement on behalf of the Pleaters, Stitchers & Embroiderers Association, Inc., located at 113 West Forty-second Street, New York City.

Some of the experiences of our members in attempting to renew their leases for the year 1945 throw a clearer light on the rent-gouging situation than most of the cold facts and figures we can present. For example, in a building located at 256 West Thirty-eighth Street, 12 of the 14 tenants were given notice that no leases would be renewed and that they must vacate by January 31, 1945. To stave off the evictions, it required the intervention of the mayor's rent committee, friends of the new owner, and every other form of pressure we could exert. We achieved the following results: 1 tenant was raised from $3,600 to $7,000 per year; another from $3,300 to $6,000 per year; 2 from $3,300 to $6,200 per year; 1 from $3,000 to $7,000 per year and 2 from $3,500 to $7,000 per year. One of the tenants still has not been given a lease and the eviction order stands for him. Another of our members in the same building had to pay $2,000 to a cloak and suit firm who had purportedly signed a lease for his premises and $250 to the real estate agent for the privilege of renewing his lease at $7,000 per year. He paid $3,500 last year. All the leases were for 11 months,



to run until December 31st instead of January 31st when most leases in the area expire. As there is no moving activity at that time, the tenants will have no place to go and they will again be completely at the landlord's mercy in less than a year.

At another building located at 250 West Fortieth Street, two of our people have received eviction notices. In one case we found that the firm who had taken the lease over our member's head had paid the agent a $750 bonus for it. This tenant has been in the same building for the past 13 years. This landlord is also a new owner. Another of our member's located at 370 West Thirty-fifth Street for 17 years has been evicted. In none of these cases was the tenant even given an opportunity to negotiate a new lease. One of our members located at 263 West Thirty-eighth Street had to pay a $500 commission to the real estate agent in order to renew his lease at a 100 percent increase.

In connection with a set of figures I should like to submit, may I say that in my opinion the significance lies in the fact that in most cases the percentage of increase for next year is substantially higher than the increase for the present year. The practice of negotiating rentals has almost entirely disappeared. In few cases that I know of has there been any bargaining. The agent merely delivered the lease and demanded a signature—or else.

*Figures showing rental increases of members of Pleaters, Stitchers, and Embroiderers Association, Inc.*

| Building | Tenant | Rentals | | |
|---|---|---|---|---|
| | | 1943 | 1944 | 1945 |
| 256 West 38th St | Excel Novelty | | $3,600 | $7,000 |
| Do | Continental Embroiders | | 3,500 | 7,000 |
| Do | Reinad Novelty | | 3,300 | 6,000 |
| Do | Kramer Embroiders | | 3,300 | 6,200 |
| Do | Style Metal | | 3,000 | 7,000 |
| Do | Blumenstein-Ross | | 3,500 | 7,000 |
| Do | Allied Accessories | | 3,000 | 7,000 |
| Do | New England Plastic | | 3,500 | 7,000 |
| 209 West 38th St | North Pleating | | 5,000 | 8,500 |
| 315 West 36th St | Chrysler Novelty | $3,000 | 4,200 | 7,000 |
| 347 West 39th St | Tailored Pleating | 2,040 | 2,160 | 2,700 |
| 64 West 36th St | Harry Garter | 1,600 | 1,750 | 2,800 |
| 341 West 38th St | T. & S. Pleating | 2,000 | 3,000 | 4,000 |
| Do | Jafferson Pleating | 2,000 | 2,900 | 4,000 |
| Do | Madame Sabo | 2,200 | 3,100 | 4,000 |
| Do | Lynn Sportswear | | 1,600 | 1,960 |
| 315 West 38th St | Tremont Pleating | 1,990 | 2,400 | 3,400 |
| 42 West 38th St | Ever-Ready Stitching | | 1,800 | 3,000 |
| 240 West 46th St | Amelia Art Embroiders | 1,836 | 2,336 | 3,750 |
| Do | Aida Lehman | 720 | 984 | 1,800 |
| Do | North Star Coat | 2,100 | 2,700 | 3,750 |
| Do | L. Perlman | 1,800 | 2,100 | 3,650 |
| 270 West 39th St | Normandie Stitching | 1,240 | 1,560 | 2,280 |
| 132 West 36th St | Aero Novelty | 1,250 | 1,500 | 2,000 |
| 142 West 24th St | Merit Pleating | 2,200 | 2,800 | 3,700 |
| 263 West 38th St | Service Trading Co | | 1,500 | 3,000 |
| 270 West 39th St | Leo Art | 1,309 | 2,040 | 2,700 |
| 341 West 38th St | Enterprise Tucking | 1,100 | 1,650 | 2,500 |
| 276 West 38th St | Bijou Embroiderers | 1,300 | 1,550 | 2,000 |
| 129 West 27th St | Louis Sadt | 540 | 600 | 800 |
| 260 West 39th St | Rite-Vogue | 861 | 974 | 1,168 |
| 307 West 36th St | Better Made-Rexall | 4,000 | 4,600 | 5,000 |
| 315 West 36th St | Senate Embroidery Works | 4,400 | 4,600 | 5,000 |
| 120 West 31st St | Arteraft Embroiderers | 840 | 1,380 | 1,800 |
| 341 West 38th St | Enterprise Tucking | 1,100 | 1,650 | 2,500 |
| Do | Annette Embroidery | 1,020 | 1,200 | 1,920 |
| 336 West 37th St | Jay-Cee Embroidery | | 1,200 | 1,600 |
| 29 West 38th St | Public Art Embr | 3,300 | 4,800 | 6,200 |
| 212 West 29th St | Algy Trimming | 600 | 900 | 960 |
| 245 West 27th St | Jaffee Pleating | 3,200 | 3,500 | 4,400 |
| 313 West 37th St | Vogue Pleating | 7,920 | 8,412 | |
| 307 West 38th St | Marvel Pleating | 1,500 | 1,800 | 2,200 |
| 48 West 37th St | U. S. Stitching | | 4,800 | 7,200 |
| 239 West 39th St | I. Leibman | 1,500 | 1,800 | 2,200 |
| 866 6th Ave | S. & W. Pleating | 1,600 | 1,710 | 2,000 |
| 575 8th Ave | Abee Novelty | 1,100 | 1,500 | 2,350 |
| 336 West 37th St | Albee Pleating | 1,200 | 1,440 | 1,920 |
| 241 West 36th St | Brody Embroidery | 2,580 | 3,000 | 4,000 |
| 270 West 38th St | Carlton Tucking | 2,250 | 2,400 | 3,000 |
| 242 West 36th St | Continental Art | 1,200 | 1,400 | 1,700 |

AMERICAN WAREHOUSEMEN'S ASSOCIATION,
MERCHANDISE DIVISION,
*Chicago, Ill., November 30, 1944.*

Hon. ROBERT F. WAGNER,
*Chairman, Senate Committee on Banking and Currency,*
*Washington, D. C.*

MY DEAR MR. WAGNER: The American Warehousemen's Association, consisting of the National Association of Refrigerated Warehouses and American Warehousemen's Association, Merchandise Division, is the recognized spokesman for the public cold storage and the general merchandise warehousing industries. Many members of these industries are seriously concerned with the implications and possible effects of Senate bill 2176.

Without questioning the need for temporary control of rents for certain types of business property in war congested defense areas, we feel that entirely unwarranted restrictions and unreasonable hardships may result from the passage of this legislation in its present very broad form. If rent control and price "freezing" as now applied to housing accommodations is extended to all business accommodations, regardless of their type and the nature of their use, the resulting confusion is likely to interfere materially in the carrying on of important activities essential to the prosecution of the war and to maintenance of civilian life. A single example, directly related to public warehouse operations is cited in the following paragraphs. Many others could be mentioned.

In the major ocean-port cities many of the water-front facilities are privately owned or owned by the State or other political bodies. The piers and wharves are leased to ocean steamship operators, barge lines, freight transfer and forwarding companies, and those furnishing necessary services to such activities. Warehouse and industrial facilities on or adjacent to the piers are leased to companies storing, processing, or manipulating commodities water-borne to or from the piers in foreign or domestic commerce.

Because of the nature of the activities carried on at such facilities long tenure of occupancy is an important factor in lease agreements, some of which cover periods of up to 10, 15, or even 25 years. Over long periods of time the low rentals resulting from leases made in years of business depression "average out" with rentals negotiated in better times.

Freezing, at abnormally low prices established during the depression years, of leases now about to expire would constitute a double hardship on owners of such properties. In the first place it would keep rental prices in many instances below the present costs of financing and maintaining the facilities, costs now being unusually high because of high material and labor rates. In the second place, because of the custom of leasing for long periods, such freezing of prices would tend to prolong the low rentals into the uncertain future of the reconversion and post-war periods.

Substantially similar conditions exist with respect to warehouse space remote from the water front in port cities and warehouse space in inland cities.

It may not be obvious how this situation might interfere with essential war activities. The danger lies in the fact that many of the owners of such properties are really operating portions of them in activities for which there are insufficient facilities now available. If unable to renew expiring leases except at noncompensatory prices they might be driven by economic considerations to operation of the properties in more remunerative lines. The consequent interruption of present operations could be serious in its impact upon war activities and manpower utilization.

We earnestly urge that any extension of rent control, in fact of any emergency wartime restrictions, be carefully scrutinized and, if determined to be essential to the prosecution of the war, that it be strictly limited to such essential need.

Respectfully submitted.

CHARLES E. NICHOLS,
*Secretary, American Warehousemen's Association, Merchandise Division.*

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STATEMENT OF THE NEW YORK CITY CONSUMER COUNCIL ON CONTROL OF COMMERCIAL RENTS

The New York City Consumer Council, a federated organization whose 75 affiliates have over a half a million members in New York City, urges that you act favorably on proposals to put ceilings on commercial rents.



We are of the opinion that this is not a local problem. It must be handled by national legislation. Investigations have shown not only that a dangerous situation exists in New York, but that rent rises are also a threat in Philadelphia, Washington, and New Orleans among other places. We would like to put special emphasis upon the fact that lofts in New York City, used for manufacturing purposes, serve national needs and a rise in the cost of rent increases the cost of the product which is manufactured. This is, therefore, a direct threat to the effective functioning of price control. All consumers, regardless of where they live, are affected, hence an increase in commercial rents in New York City endangers, directly, the standards of living of the whole Nation.

There is a shortage of lofts. Plants making clothing, medical supplies, processing foodstuffs, etc., face the necessity of moving out of town or going out of business. This is a serious threat to New York, involving unemployment and chaos.

The greed of the landlords must be controlled, in the interest of the peoples' welfare and the war effort. We submit an example of this unpatriotic greed. On the premises, 105 East Sixteenth Street, Manhattan, is a concern engaged in war industry. This firm has occupied the same premises for 20 years. Until 1942 they had been given a 3-year lease which was renewed periodically. In February 1943, the owner refused to give the customary 3-year lease and submitted a 1-year lease. In 1942, the annual rental for 3½ floors was $5,000. In 1943 this rent was raised to $6,600 for the year. For 1945, the landlord is demanding a 5-year lease at an annual rental of $16,000.

We believe that this example, which is one of many, indicates that there must be no delay in initiating commercial rent control. We recommend that the Office of Price Administration be given the authority to determine where commercial rent control is needed, and to institute it in all danger areas. This should be accompanied by a substantial appropriation for the Office of Price Administration so that it can take on the extra job and do it effectively.

The need for action is urgent. We ask that you enact proper legislation immediately for the protection of the consumers, workers, and businessmen against the extortionate greed of the landlords.

MILDRED GUTWILLIG,
*Chairman.*
JEANETTE S. TURNER,
*Secretary.*

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WASHINGTON, D. C., *December 4, 1944.*

Hon. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,*
*Washington, D. C.*

MY DEAR SENATOR: In lieu of a personal appearance before your commitee with reference to the freezing of commercial rents, I am submitting the following statement for your consideration.

According to the 1939 United States census reports, there were 6,893 retail stores in the District of Columbia, 3,830 service establishments, and 753 wholesale establishments, or a total of 11,476 store properties.

Some while ago an article appeared in a newspaper stating that one landlord was attempting to raise commercial rents unreasonably. Apparently on the strength of this report, Congressman Randolph, chairman of the District House Committee, through the press, stated that anyone whose rent was being raised at this time should furnish such information to Mr. Cogswell, Rent Administrator of the District of Columbia.

Congressman Randolph and Mr. Cogswell have both authorized me to state that of the complaints received by them, less than a dozen in all, upon investigation it was found that the increases were not large and not found to be unreasonable, except in one instance.

In my judgment it would be next to impossible to freeze commercial rents on any equitable basis due to the complexity of lease agreements. Some while ago the office of the Corporation Counsel for the District of Columbia felt that it would be desirable to standardize commercial lease forms. I furnished them with about a dozen various leases and after going over the same, they sent them back stating that it was impossible to standardize this type of lease.

In cases of long-term leases made at a period when rents were at a low ebb—at the time of the expiration of such a lease or a renewal thereof, or the re-leasing of the property to a new tenant, the rental value of the property may be either

up or down. There are leases containing stepdown clauses as to rent. I will call your attention to one where the rental started at $22,500 for the first 5 years, $20,000 for the next period and $17,500 for the remaining period of a 20-year lease.

Another such case is a drug store near the Union Station where the lease called for a rental of $1,000 per month for the first 5 years of the term, and $500 per month for the second 5 years of a 10-year lease. If these leases were frozen from the first term it might seriously affect the business of the tenant occupying the premises.

A lease to a shoe concern on a percentage basis with a fixed minimum rental: The Government took a large part of the output of the factory furnishing the retail store. We reduced the fixed rent for a limited time. The tenant is now willing to pay the same rent as heretofore.

Many large stores renting out various departments on a percentage basis with a fixed-minimum rent, such fixed-minimum rent being on a sliding scale. The first term is generally at a lower figure until the business becomes established.

There was a 99-year lease on the Belasco Theatre at an annual rental of $6 000 plus taxes, which amounted to $7,000. This building is now obsolete for the purpose for which it was built, and until recently was unoccupied for quite a while. If the rental were frozen the lessee could not have created a new improvement. In this case the leasehold was more valuable than the fee. The Government recently purchased this property.

There are leases in effect where the rental is appraised every 5 years.

Another lease, made many years ago at a rental of $14,000 per annum net to the owner. The tenant desired to move to a new location, and sublet this property for the balance of the term of his lease, which had approximately 2 years to run at $21,500 per annum on a net basis, with the consent of the owners of the property.

At the time of the subletting, the sublessee entered into a lease with the owners for a period of 21 years at a rental of $21,500 plus taxes for 11 years, and a rental of $22,500 per annum, plus taxes, for the last 10 years of the term. Lessee agreed to insure the property and maintain the same. What would happen to a lease of this type if the rent were frozen during the period of subletting?

Herewith are several copies of the various percentage tables compiled for the National Real Estate Journal which is a guide for both landlord and tenant as to the amount of percentage which may be paid for various types of property.

Due to the complexity of administering the freezing of commercial rents, I do not believe this could be accomplished on a basis favorable to both landlord and tenant.

Respectfully yours,

H. CLIFFORD BANGS.

| Type of store | Percent for rent | | | | |
|---|---|---|---|---|---|
| | Bangs | Beggs | Campbell | Roe | Slosson |
| Art shops | 10 | 8 –10 | 8–10 | 10 –12 | 10 |
| Auto accessories | 10 | 6 – 8 | 5– 7 | 6 – 8 | 7 –10 |
| Auto agencies | | | 2– 2½ | 1½– 2½ | 3 – 4 |
| Bakeries | 6– 8 | 5 – 6 | 6– 8 | 6 – 7 | 6 – 9 |
| Barber shops | 12 | 10 | 15 | 0 –15 | 10 –15 |
| Beauty shops (merchandise) | | 10 | | 10 | 10 –15 |
| Beauty shops (service) | to 20 | 10 –13 | 15 | 12½–15 | 15 –20 |
| Beer parlors | | 8 | | 8 –10 | |
| Books and stationery | 8–10 | 10 | 10–12 | 8 –10 | 10 –12 |
| Books, second-hand | | 12 | | 12 –15 | 12 –15 |
| Candy | 8–10 | 10 –12 | 10–12 | 7 –10 | 8 –10 |
| Candy (with luncheon) | | | 8–10 | 10 –12½ | |
| Cigars and tobacco | 5– 6 | 6 – 7 | 5– 6 | 5 – 6 | 7 –10 |
| Cleaning and dyeing | 8–10 | 8 | | 10 | |
| Cocktail lounge | 8–10 | 8 | | 8 –10 | 8 –10 |
| Credit clothing | 5– 7 | 4 – 6 | 5– 6 | 5 – 8 | 7 –10 |
| Department stores | 3– 4 | 2½– 4 | 3– 4 | 3 – 4 | 3 – 5 |
| Drug stores (chain) | 4 | 4 – 7 | 6– 8 | 5 – 7 | 6 – 9 |
| Drug stores (individual) | 7 | 8 | 8–10 | 6 – 9 | 8 –10 |
| Electrical goods | | 5 – 6 | | 5 – 7 | 5 – 7 |
| Florists | 12 | 8 –10 | 10–15 | 10 –15 | 10 –12 |
| Fruit stores | 10–15 | | | | 12 –15 |
| Fruits and vegetables | | | | 10 –12 | 12 –15 |
| Furs | 10–12 | 8 –10 | 8–10 | 8 –10 | 8 –10 |
| Furniture | 6 | 5 – 6 | 6– 8 | 5 – 7 | 8 |
| Furniture (credit) | 5– 6 | 5 – 7 | 4– 6 | 6 – 8 | 8 –10 |



| Type of store | Percent for rent | | | | |
|---|---|---|---|---|---|
| | Bangs | Beggs | Campbell | Roe | Slosson |
| Garage (storage) | | [1] | | 40 –50 | 40 –50 |
| Gas stations | [2] 1 | [3] 5 | [2] 1 | [4] | [4] |
| Grocery stores (ordinary) | 6 | 3 – 5 | 3– 5 | 3 – 5 | 6 – 8 |
| Grocery stores (chain) | 2– 3 | 2 – 3 | 2– 3 | 2½– 4 | 2½– 4 |
| Hardware | 6– 8 | 5 – 7 | 6– 9 | 5 – 7 | 6 – 8 |
| Hosiery and knit goods | 10 | 7 –10 | 10 | 8 –10 | 8 –10 |
| Jewelry | 8–10 | 8 –10 | 10–12 | 8 –10 | 10 –12 |
| Jewelry (cheap costume) | 10–15 | 10 | 12 | | 12 |
| Jewelry (exclusive) | 4– 5 | 8 –10 | 12–15 | 10 –15 | 10 –15 |
| Linens | 12–15 | 8 –10 | | | 10 –15 |
| Liquor stores | 5– 6 | | 7– 8 | | 7 – 9 |
| Meat markets | 5– 6 | 4 – 5 | 5– 7 | 5 – 7 | 4 – 6 |
| Meat markets (chain) | | | 4– 6 | 4 – 6 | 4 – 6 |
| Men's clothing | 5– 7 | 5 – 6 | 6– 8 | 6 – 8 | 6 – 8 |
| Men's furnishings | 10 | 7 – 9 | 10 | 8 –10 | 8 –11 |
| Men's hats | 6– 8 | 7 – 9 | 8–10 | 8 –10 | 8 –12 |
| Men's shoes | 6– 8 | 6 – 8 | 7– 8 | 7 – 9 | 7 –10 |
| Men's shoes (volume) | 5– 6 | 5 – 6 | 6– 8 | 6 – 8 | 6 – 8 |
| Men's tailors | 7– 8 | 6 – 7 | | | 7 – 9 |
| Millinery | 10–12 | 12½–15 | 10–15 | 10 –15 | 12 –15 |
| Motion pictures | | 8 –10 | 15–20 | 15 –20 | 12½–25 |
| Optical stores | 10–15 | 8 –10 | 10–12 | 10 –12 | 10 –12 |
| Paint, wall paper supplies | | | | | 10 |
| Parking lots | | 50 | | 50 | 40 –50 |
| Pianos and musical instruments | 6– 8 | 6 | | 6 – 8 | 7 – 9 |
| Radios | 5– 7 | 6 | | 6 – 8 | 6 – 9 |
| Radios and electrical | 8 | 6 – 8 | 8–10 | | |
| Restaurants | 8–10 | 5 –10 | 8– 9 | 8 –10 | 8 –10 |
| Cafeterias | 5– 7 | 7 – 8 | 7– 8 | 5 – 7 | 7 –8 |
| Luncheonettes | 10 | 6 – 8 | 8–10 | | 8 –10 |
| Tea rooms | 10 | 5 | 10 | | 10 |
| Specialty stores (nonadvertising) | 7– 8 | 8 –10 | 8–10 | | |
| Sporting goods | 7 | 6 | 7– 9 | 6 – 8 | 8 –10 |
| Theaters (combination vaudeville and motion pictures) | | | 12–15 | 12½ | |
| Trunks and leather goods | 10 | 10 | 10 | 8 –10 | 8 –10 |
| Women's cloaks and suits | 7– 8 | 6 – 8 | 7– 8 | 6 – 8 | 7 – 9 |
| Women's cotton wear | | 7 | | 8 | 8 –10 |
| Women's furnishings | 8–10 | 6 – 8 | 8–10 | 8 –10 | 8 –10 |
| Women's shoes | 8–10 | 8 –10 | 7– 8 | 7 –10 | 8– 10 |
| Women's shoes (volume) | 6– 7 | 6 – 8 | 6– 8 | 6 – 8 | 6 – 8 |
| 5-cent, 10-cent or 25-cent–$2 stores | 5– 7 | 4 – 6 | 5– 7 | 5 – 7 | 5 – 8 |

[1] Storage, 45 percent; sales, 10 percent.
[2] 1½ cents per gallon.
[3] Or 1 cent per gallon.
[4] 1 cent per gallon: 1 cent per quart on oil.

What percentage of gross sales can stores pay for rent under the percentage type of lease? In the composite table above 5 store leasing experts in different sections of the country give the answer. They are; H. Clifford Bangs, Washington, D. C.; George J. Beggs, of Norris, Beggs & Simpson, Portland, Oreg.; Harry S. Campbell, of Vought, Campbell, Ward & Co., New York City; Stanley Roe, of the Mark Levy Realty Co., Chicago; and Frank S. Slosson, of Hooker, Slosson & Randell, Chicago. All of these figures have been checked recently with the authors, and are reliable as general guides in store leasing. All of the authors agree that in individual deals there are many factors which will influence the final percentage, these figures being only guides.

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## STATEMENT OF BUILDING OWNERS AND MANAGERS ASSOCIATION OF LOS ANGELES IN THE MATTER OF S. 2176

HONORABLE SENATE COMMITTEE ON BANKING AND CURRENCY: Comes now, the Building Owners and Managers Association of Los Angeles, reflecting the views of the major office and loft buildings in the Los Angeles area, with first-hand knowledge of the subject hereof, and respectfully submits:

1. This association is unalterably opposed to the form, substance, and intent of S. 2176 and earnestly emphasizes that factual studies recently made by Federal Government agencies show that legislative control of rentals of commercial, industrial, and business occupancies is neither necessary nor justified.

2. This Association further points out that Federal Government agencies have indicated that complaints of rent increases on commercial and business occupancies are largely localized in New York City, and therefore, the subject of S. 2716 is not one for Federal action but for State regulation.

3. This association also directs attention to the impracticability of applying the Office of Price Administration regulatory powers to commercial and business real property surrounded with conditions which differ no end from conditions that attend residential properties.

EXPLANATORY OF THE FOREGOING

1. The Senate Small Business Committee is reported to have recently determined on the basis of factual studies made by the United States Department of Commerce and by the Smaller War Plants Corporation that the problem posed by excessive increase in commercial rentals is not national in scope at this time and Federal regulation from the Office of Price Administration or otherwise would not now be justified.

2. The Senate Small Business Committee also reportedly pointed out that a "pressing need exists in the city of New York for prompt remedial action" which suggests not Federal action but as a municipal and State affair to be dealt with as a local regulation.

3. Should the Congress of the United States adduce facts that make it necessary and justifiable to extend Federal control to real property privately owned and leased to war industries and businesses, that control would of necessity have to be entirely different from the current approach of the Office of Price Administration regulations to residential properties.

There are innumerable and varying situations that attend different classes of leases and contractual relations on business properties, leaseholds, and groundleases. Legislation in this respect should be incorporated in a separate bill, with definite and precise provisions and requirements and with workable formulas clearly set out in the act. Many different conditions would have to be provided for in such a bill in order that all concerned might understand the requirements, and enforcement thereof be made feasible.

In the event that your honorable committee develops justifiable reasons for considering a workable measure of the type hereinabove discussed, this association will be glad to cooperate fully and assist in the outlining of a tentative draft of such a measure.

4. In the Los Angeles area, for example, no occasion exists for control of rents of commercial and business occupancies. Investigations made here by governmental agencies and results thereof confirm this view.

Studies submitted from Experience Exchange Survey conducted under the auspices of the National Association of Building Owners and Managers and covering some 451 properties in 77 cities (an annual survey that has been made each of the past 24 years) confirms facts here submitted.

This association in a survey made last month, and on the basis of written reports submitted by managers of 150 office and loft buildings, further confirmed contention offered, that no need exists in the Los Angeles area for control of rentals of commercial and business occupancies. Rentals in 93 buildings were reported unchanged, 3 building reported decrease in rentals, and 45 buildings had adjusted rentals on the few new tenants.

This association observes trends of every nature in the major office and loft buildings in the Los Angeles area. On the basis of information at hand complaints from tenants have been practically nil and in almost all cases where adjustment of rentals were made commensurate with increased costs of operation, tenants have cooperated cheerfully and in many instances expressed wonderment that such adjustments had not been made long ago. Rentals in the Los Angeles area have been subnormal for more than 12 years. Current rentals are from 30 to 50 percent below the rates of 12 years ago and below the rentals for which the buildings were designed in order to produce the customary return on capital invested.

Respectfully submitted.

MARK C. COHN,
*Executive Secretary and General Manager,*
*Building Owners & Managers Association of Los Angeles.*

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WASHINGTON, D. C., *November 30, 1944.*

Re: S. 2176.
Hon. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,*
*Senate Office Building, Washington, D. C.*

DEAR SENATOR: I am general counsel of the Commercial Tenant's Protective League of this city. Being interested in commercial rent control, we were concerned that S. 2176 did not affect the District of Columbia in which numerous cases of rent-gouging have been uncovered.



I attended, for a short time, the hearing on the matter today and heard a small portion of the testimony of a gentleman from New York. I was unable to remain and have important engagements which will prevent my attendance tomorrow. Therefore, I ask your indulgence to permit me to file a memorandum which will, I think, give your committee more light on the subject.

The Senate Small Business Committee held some hearings touching on commercial rents in July 1944. As to the District of Columbia, I was advised by Senator Murray, chairman of that committee, that the matter had been referred to the Senate District Committee.

I was considerably surprised this morning to hear, in the hearing, the questions concerning mortgages, etc., raised. In my opinion the speakers did not have knowledge of how these speculative interests operate. This method of operation, not denied by anyone, is completely set forth on pages 4696 and 4697 of the transcript of hearings before the Senate Small Business Committee, and I attach hereto the pages mentioned. You will also notice that quotations from the Bulletin of the National Association of Building Owners and Managers, which I note from the press is scheduled to be heard by your committee through its president, are included. In my opinion, the Bulletin contained quite some "brag," and, in fact, states that said association sits in "on the discussions when important decisions are made." I have an original copy of the Bulletin.

We were just this minute advised by telephone that a District of Columbia organization engaged in war work and which has been the subject of a recent rent gouge which will put them out of business is unable to appear before your committee because the executives will necessarily be out of the city tomorrow and time cannot be found for them today.

At any rate I think the Senate Small Business Committee had details of not less than 16 cases of rent gouging in the District of Columbia before it. The details of those cases are still in its possession or in the possession of the Senate District Committee. The increases range from 30 to 250 percent within the past year.

Within the past 30 days an increase from the sum of $100 per month to $145 per month for office space, identical service, identical space, has been called to our attention. The tenant will not permit the use of his name as he fears reprisals. Other similar increases have been made and are still being made in the same building.

The Brandler Restaurant, mentioned in the transcript attached, is out of business. He was forced out as appears in the transcript. It is now reported that the owner, one George Papanicolas, was contemplating at the time, and is now proceeding with, the operation of a restaurant where he forced Brandler out and has offered Brandler some kind of a partnership if he, Brandler, would secure retraction of Brandler's statement about the rent gouge.

The question of "investment" in the property is all well and good if considered in a logical manner. By that I mean that unquestionably a man is entitled to a fair return on his investment and a reasonable profit—despite the fact that the Office of Price Administration may not so regard it when it comes to fixing the selling price of clients of mine who retail meat, sandwiches, foods, clothing, etc., but simply because the owner of realty has an "investment" he should no more be free of control than the retailer who likewise has a proportionately greater investment, viz, his livelihood, but is "frozen" as to what he may charge.

Theoretically the Office of Price Administration may grant the retailer an increase in selling price if he can show increased costs. The same should properly be true of commercial rents if the owner can show an increase in costs—either interest, costs of maintenance, or otherwise—but he cannot be trusted to be free of control any more than any other opportunist as has been amply demonstrated, by actions of these opportunist landlords.

Members of the Commercial Tenants Protective League are fearful of reprisals. I have talked to them with tears in my eyes, figuratively, but they are afraid of retaliation and, in many instances will talk to me under promise of strict confidence only.

In the District of Columbia, because of Government activities, there are no vacant offices. In fact it is known that in some cases tenants have had to "fold up" because of rent gouging and then the space was rented to foreign government agencies who are not limited in the amount they may pay for office space as the United States Government is. Thus, our own Government is affected because lend-lease is supplying some of these foreign agencies who thus secure space which perhaps our Government would like to have but cannot pay the asked and demanded price for it.

We submit, S. 2176 should be amended to include the District of Columbia and passed. Perhaps it should further be amended to specifically allow a reasonable, but specific, return on the appraised valuation of the property. That would avoid allowance for mortgages "of convenience".

Respectfully,

RICHARD A. HARMAN.

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WASHINGTON, D. C., *July 15, 1944.*

Hon. JAMES E. MURRAY,
*Chairman, Senate Small Business Committee,*
*Senate Office Building, Washington, D. C.*

DEAR SENATOR: By direction of the Commercial Tenants Protective League, of which I am general counsel, I lay the following information before you for the information and use of your committee in connection with commercial rentals in the District of Columbia.

Our investigations disclose that the reason for many increases in rentals to occupants of offices and stores is purely the desire of real-estate operator to secure a speculative profit. To be specific, let us take a case without mentioning names, viz:

Mr. Owner buys a building housing 150 tenants in offices and stores. He agrees to pay a certain amount for the building, of which he pays some amount in cash, the balance on a first and second trust, and such trust money can be secured at a low interest rate. His gross rental income when he takes title to the building is $100,000 per annum. A month or two after he takes title he increases the rent of four or five tenants and follows the same procedure each month or two thereafter. He knows the tenants cannot find vacant space to move to and that any moving of a business from one location to another injures the business. Therefore he knows the tenant must pay; the tenants on whom no increase has yet been levied feel "we better keep quiet or he will raise ours quick," not realizing Mr. Owner's game.

We think the average increase will run from $25 to $40 per month as to offices, and from $75 to $300 on stores, or, an office increase of from 20 to 70 percent and on stores from 30 to 150 percent. But, in order to be conservative, consider that Mr. Owner increases his 150 tenants an average of $15 per month (and it is never that small). This gives him an increased gross annual rental of $27,000. The assessment, upon which taxes are based, remains the same. The $27,000 is increased income to Mr. Owner. He makes various donations to charities, pays his membership fees in golf and country clubs, building owners' associations, etc., from his income, and becomes what is known as "a good fellow and a free spender." He acquires "pull and influence" thereby. His association bulletins boast:

"* * * as long as there was any possibility of commercial rents becoming involved in pending congressional action, whether in committee or by amendment on the floor, the association was watching day and night, prepared to move quickly if the occasion arose," (National Association Building Owners and Managers Week's Work dated July 11, 1944, published in Chicago, Ill., mailed to members nationally.

The same bulletin, same date, further boasts:

"One observation that tickled us in Philadelphia was that members relying on Week's Work often have information about changes in emergency regulations before local government men knew about them. Several examples were cited and—quite as it should be—when the agencies in question consulted their superiors in Washington, they found that our position was well founded. That is one advantage of having sources of information at the top—or, better still, of being in on the discussions when important decisions are made."

We feel that your committee should investigate carefully to learn just who or what is the "pipe line" this organization boasts so brazenly of having so that we may know where to place the blame for any reprisals which may be attempted against members of our league if names are disclosed.

To revert to the $27,000 increase in gross annual rental: Mr. Owner desires to sell his building and take a profit. The custom is that a commercial building which can be bought for 10 times the gross annual rental is a "bargain"—for 11 times the gross annual rental it is a "good buy," and as high as 12 times the annual rental is "reasonable." Now, according to my calculation, 10 times $27 0 0 is $270,000—and note that this is the increase in the sale price of the building, or clear profit or "gravy" to Mr. Owner.



Consider the case of William Brandler, restaurant, employing self, wife, some relatives—a small business—established about 6 years. Six years ago he paid rent of $200 a month. This was increased, without protest by him, until 5 months ago he was paying $250 per month. About 4 months ago the building was sold and the new owner demanded a rent of $400 per month, but finally cut the demand to $375 per month, provided Brandler would sign a 5-year lease, pay $4,500 cash in advance to cover the fifth year of the lease, and pay his $375 per month regularly during the first 4 years. This man is arranging to go out of business, as he cannot pay any such amounts. His customers will become an added burden on other eating places already overburdened with war workers. He will be out of employment. His employees will have lost their positions. He will lose his established business, savings, many years' work. The owner will secure his $375 per month plus $15,000 added sales price from this one portion of premises alone.

We hope that your committee will secure the enactment of legislation bringing commercial rents under the control of rent administrators immediately.

Further, we suggest that commercial rents be frozen as of the date of April 15, or April 1, 1943, whichever may be convenient, the reason for that date being that it appears that the Office of Price Administration froze prices which might be charged customers as of April 3–10. In other words, the small businessman is prohibited charging his customers more, but is compelled to pay more rent or go out of business. We feel also, that owners should be required to refund to tenants any amount charged in excess of 10 percent above the rate prevailing on January 1, 1943.

Your committee might also bear in mind that any testimony of real-estate interests, including real-estate boards, should be considered very carefully. These boards, and their executives, are supported in most part by the 5-percent commission received by their members on collections of rent and sales from which the members pay their dues and assessments, and, of course, they have a "Code" under which members are entitled to make as much as they can and to keep the members happy—even, as one of them boasts, "having sources of information at the top."

Yours very truly,

RICHARD A. HARMAN.

The CHAIRMAN. The committee will now rise to reconvene tomorrow morning at 10:30 in executive session.

(Thereupon, at 12:45 p. m., an adjournment was taken until 10:30 a. m., Tuesday, December 5, 1944, to meet in executive session.)

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